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*K. Byrd*

2873

# Select Committee on Drugs

## HEARINGS

HELD AT

PARLIAMENT BUILDINGS

TORONTO      ONTARIO

VOLUME No.:

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DATE:

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MR/dpw

On resumption of business  
SELECT COMMITTEE ON DRUGS

Proceedings of hearings  
held at Parliament Buildings,  
Toronto, Ontario, on Tuesday,  
the 28th day of June, 1961,  
at 2.10 p.m.

Wilkinson of Windsor, President of the Ontario

COMMITTEE:

Retail Pharmacists' Association and President of

Prescription Services, Mr. H.L. ROWNTREE, Q.C. -- Chairman

Mr. J.A. FULLERTON, Mr. Fullerton Acting  
Chairman

Perhaps before we start, I can report to the Committee

and to Mr. Wren, in particular with regard to the

conviction that was noted in the papers last week

against three doctors, looked on this and the

three doctors were convicted under Section 37 of

the Pharmacy Act, which provides that "No person or

corporation shall keep or operate a pharmacy

unless it is under the personal supervision of and

is managed by a pharmacist or a chemical chemist".

There were, the doctors had

a dispensary in a building occupied by them but

dissociated from their doctors' offices and they

employed Mr. S.J. GADSBY, F.C.I.S., Secretary

Mr. HAROLD A. RICE -- Committee Counsel

Mr. W.J. AYERS -- Accounting  
Consultant to the  
Committee

The doctors themselves were not filling or dispensing  
drugs.

Mr. Chairman, we have Mr. Wilkinson.







A/MR/dpw

--- On resuming at 2.10 p.m.

MR. FULLERTON: In the absence of Mr. Rowntree, the Chairman, I have been asked to deputise on his behalf. We have with us today Mr. W.A. Wilkinson of Windsor, President of the Ontario Retail Pharmacists' Association and President of Prescription Services Incorporated. Mr. Rice?

MR. RICE: Yes, Mr. Fullerton. Perhaps before we start I can report to the Committee and to Mr. Wren in particular with regard to the conviction that was noted in the papers last week against three doctors. I checked on this and the three doctors were convicted under Section 37 of the Pharmacy Act which provides that "No person or corporation shall keep open or operate a pharmacy unless it is under the personal supervision of and is managed by a pharmaceutical chemist".

The situation there, the doctors had a dispensary in a building occupied by them but dissociated from their doctors' offices and they employed there certain persons who were not licensed or qualified under the Act to dispense drugs and these people were in fact filling and dispensing drugs and that was why a conviction was registered. The doctors themselves were not filling or dispensing drugs.

Mr. Chairman, we have Mr. Wilkinson.







Will you come forward please? You will recall Mr. Chairman that Mr. Wilkinson delivered to us two briefs previously, one in connection with his own personal business and another one on behalf of the Association of Retail Pharmacists. This afternoon I understand Mr. Wilkinson has another brief in connection with the Green Shield Prescription Plan that is operated by the Prescription Services Incorporated. I submit that perhaps we should have Mr. Wilkinson deliver that brief before we ask him any questions in connection with the others and question him on all three at the same time.

THE CHAIRMAN: Very good. Mr. Wilkinson you may proceed.

MR. WILKINSON: Thank you Mr. Chairman.

SUBMISSION BY WILLIAM A. WILKINSON,  
President of the Ontario Retail  
Pharmacists' Association;  
President of Prescription Services Inc.

The provision of comprehensive medical care is one of the most pressingly important and complex problems of our generation. It is a problem about which a great deal has been spoken and a great deal more has been written. It is a subject upon which great political parties disagree, a subject upon which Medical, Pharmaceutical and other professions are split.

The provision of comprehensive medical





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personal business and another one in behalf of the

Association of Retail Pharmacists. This afternoon

I understood Mr. Wilkinson has another brief in

connection with the Great Chief Pharmaceutical

that is operated by the Pharmaceutical Research Institute.

Noted. I suppose that perhaps we should have Mr.

Wilkinson deliver that brief before we ask him any

questions, is correct, and when the other side finishes

him on all three of the same time.

and you may discuss.

Mr. Wilkinson, please go to the witness stand.

Examination of the witness

Question of the witness

The question of competitive work.

care is one of the most pressing problems and

complex problems of our generation. It is a problem

about which a great deal has been spoken and a great

deal more has been written. It is a subject upon

which great political parties disagree, a subject

which are alike.



care has been and is currently the subject of governmental enquiries at both the provincial and federal levels. It is a subject interpreted and editorialized by newspapermen, and radio and television commentators and the weight of publicity so derived has influenced anybody who has ever priced a prescription to become an expert on the ills and ailments of our system of payment for this necessity of modern living.

I use the expression "system of payment" deliberately because it seems to me that if there is any part of this subject upon which there is general agreement, it is that excellent medical care, medicine, hospital, dental and nursing care is available.

There is general agreement also, although to a lesser degree, that pharmacists, dentists and hospital personnel are, on the whole, hard working, conscientious and dedicated people, who, with few exceptions, earn but a modest living. There is almost universal agreement however, that medical care costs too much.

This phenomena, this unwillingness on our part to pay for medical care can be explained, but only partially, by the fact that:

1. Our illness was contracted without our consent.
2. We are uncertain of its nature and frightened of its consequences.





mental employees as soon as the provincial and federal  
levels. It is a serious responsibility and administrative  
of management, and the weight of the responsibility is  
and the weight of the responsibility is to be  
activity of a new and more comprehensive to be  
an expert on the part of the government of the  
payment for the provision of medical services.

I am sure that the government of the  
will be able to meet the needs of the people.  
There is a very real and serious problem which  
is generally accepted as to the extent of medical  
care, medical services, and the extent of the  
available.

There is a general agreement that  
the government should be responsible for the  
provision of medical services to the people.  
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on our part to pay for medical services.  
explained, but only partially, by the fact that  
the government was concerned.

Without our consent.  
We are concerned of the future  
and frightened of its consequences.



3. We are apprehensive of the prescribed treatment.

4. We are terrified of hospitals and financially unable to afford time from our jobs.

These are surface reasons, but I suspect that the real hue and cry about the cost of medical care stems from the fact that the treatment, however simple or complicated, is usually an unpopular purchase. It is unwanted, unexpected, not provided for in the budget and we do not have or seem to have an adequate system of payment.

I have so far spoken of medical care as it embraces the whole field of health. I would like now to be more specific and address my remarks to medicine, by that I mean the prescribed pharmaceuticals which today are the bulwark, the backbone or if you wish the cornerstone of modern medical care.

Without pharmaceuticals our hospitals, clinics and surgeries would return to their status of the middle ages, and modern heroic surgical techniques which have become so routine could not be performed.

Modern Chemo-therapy in the field of immunization, antibiotics, hormones, and steroids along with the control of high blood pressure, diabetes and mental disturbances to name but a few depend almost entirely after diagnosis on long and





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cribed treatment.

4. We are terrified of hospitals and

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pect that the real fear and the real basis of

resistance come from the fact that the treatment,

however simple or sophisticated, is usually an unpopu-

lar process, it is untested, unproven, not

practical for the doctor and we do not have to

even to have an adequate system of payment.

I have no fear of the medical care

as it concerns the whole field of health. I would

like now to be more specific and within my personal

to mention, by that I mean the personal history

conditions which today are the basis of the disease

or if you wish the consequences of disease which

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which are entirely after diagnosis or long and



continued use of prescribed pharmaceuticals to achieve the desired relief and results.

In 1960 for the first time in our history the nation's pharmaceutical account, according to the Health Insurance Institute, approximated the physicians account. In specific terms, pharmaceuticals accounted for 26-cents of the health dollar as compared to 27-cents for the physician and 30-cents for hospital care.

A break-through in cancer control, arthritic relief, or cholestral blood level control, will no doubt push this figure much higher.

It is said by politicians and editors and others that our wonderful life saving, life-prolonging and pain relieving drugs cost too much and are therefore denied to large segments of the population, particularly the very old and the very young.

This is true, and it is equally true that the well-to-do are able to afford them while the very poor often get them from the welfare. However, there is also the great mass of our low and middle income wage earners to whom any kind of illness is a catastrophe and who have no one to turn to for help.

There are those who say the solution to the whole problem is to drive down the price of pharmaceuticals. I submit that all of the





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In 1900 for the first time in our

history the nation's pharmaceutical account, according

to the Health Insurance Institute, approximated

the physician's account. In specific terms, pharma-

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bill as compared to 5-cents for the physician

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A similar though in degree control,

exercised by the government on controlled drug level control,

will no doubt pass this time with dignity.

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investigations presently in progress will conclude on one note of agreement -- "no substantial drop in the price of pharmaceuticals can be affected".

Indeed it is more than likely that the cost of medication will continue to climb and at about the same rate as our cost of living index.

As a member of a joint committee of Physicians and Pharmacists, set up by the Ontario Medical Association and the Ontario Retail Pharmacists' Association, we have, for the last six months, been trying to find a formula for reducing the cost of medicine to the medically indigent people of Ontario. We estimate this group to number about 200,000 people who are either receiving some private or government assistance with their medicine now, or who would need assistance if illness were to strike. With all of our facilities for quantity purchasing, our ability to insist on generic term prescribing and dispensing and the exertion of pressure on our professions and industry for preferential discounts, we have almost abandoned any hope of effecting a greater than 20% reduction. This reduction, it is felt, would not in any way alleviate the condition for it would not substantially increase the ability of the medically indigent to acquire the medicine. In other words, an outlay of \$8.00 for medication is just about as far out of the question for these people as an outlay of





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\$10.00.

This brings us back to the "System of Payment". Hospital Services and Physician Services has been experimenting with an alternative plan for financing since the middle 1930's. They call it prepayment and because some elements of insurance are involved in prepayment we have come to refer to all prepayment budget systems under the misnomer of "Insurance".

That prepayment is a popular way of budgeting is evidenced by the fact that by the end of 1959 in the U.S.A., (and we can assume the proportions will follow closely for Canada):

128-million persons had some hospital coverage

117-million persons had some surgical coverage

82-million persons had some medical coverage

22-million persons had some major medical coverage

43-million persons had some loss of income coverage

All through prepayment.

It will be noted, that these figures do not add to the total population figure of 170 million, this is because many of these people had more than one type of coverage.

It is into this field of prepayment that we have moved with a plan to prepay the cost



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of prescribed pharmaceuticals.

Now there are some curious facts which we have discovered about prepayment:

1. When it is administered by private enterprise it is called a fring benefit.

2. When it is administered by the Government it is called socialism.

3. Wherever it is available everyone seems to want the coverage but would like someone else to pay the monthly fees.

Briefly then, let me outline the method we use to effect the prepayment of prescribed pharmaceuticals.

We call the plan "The Green Shield Prescription Plan". It is offered by Prescription Services Inc. and is unique on this continent as the only prepayment plan for prescribed pharmaceuticals, professionally owned and financed, operating on a non-profit basis in existence today.

Prescription Services Inc., holds a non-profit charter in Ontario and a Dominion trade mark on "The Green Shield Prescription Plan". Member pharmacies, now numbering over 400 located in over 130 municipalities in Ontario, elect a board of directors of five pharmacists who administer the plan. They are advised in their conduct of its affairs by an advisory committee of five laymen who may not be members of the profession of pharmacy.





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B/JW/hm

Enrolment in Green Shield is by group only. The plan will accept groups of from five to ten members provided all are enrolled. Our requirement is 75% participation in groups of 11 or more.

Eligible subscribers, along with their wives and children, who have become members are entitled to receive their prescriptions from member pharmacies at a cost of 35-cents for each prescription. There are, of course, certain limitations with respect to quantities and types of medicine not covered by the plan. These are clearly set forth in the service contract agreed to by subscribers upon enrolment.

The monthly fee for this service is \$1.90 for an adult and 65-cents for each child up to and including the third child under 19 years of age. Thus a single fee would be \$1.90, a married couple \$3.80 and a maximum for any family regardless of the number of children would be \$5.75 a month. In other words the cost of minimum coverage is six-cents a day. The maximum is 19-cents a day, or about the same as a good cigar or half a package of cigarettes.

The average for all families is about \$4.00 per month or 13-cents a day. By comparison, the cost of parking on a Toronto lot varies between 85-cents and \$1.25 a day. These rates have been established as the result of the





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actuarial study of our first two years of experience, as compiled by the Public Health Economics Department of the School of Public Health, University of Michigan and are considered to be quite in keeping with similar services in other countries. Perhaps I should point out here that a prescription is a combination of a service and a product and unless proper safeguards and controls are effected may be subject to many abuses and wasteful overuse.

In this connection William M. Mercer Ltd., points out in their most recent bulletin, in a paragraph about New Zealand;

"The Pharmaceutical service is now the most expensive benefit of all, costing the Government more than the hospitalization section of the plan. The development of expensive new "Miracle drugs" has accentuated the trend and the New Zealand authorities believe the costs will go higher unless severe reforms in the plan are introduced.

Our experience indicates we have effective controls on over-use and abuse for example -- the purpose of the 35-cent fee for each prescription is to discourage pressure being exerted to obtain prescription for household items which could normally be purchased for 35-cents or less. The quantity limitation is to restrict any one prescription to not more than 30-days continuous treatment. This is quite in order since the subscriber pays his fee monthly in advance. While it





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Our experience indicates we have

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example -- the purpose of the 50-cent fee for each

prescription is to discourage pressure being created

to obtain prescription for household items which

could normally be purchased for 25-cents or less.

The quantity limitation is to restrict any one

prescription to one dose and to prevent

treatment. This is done in order since the and-

system requires the monthly in advance, while it



is necessary to exempt vitamins, injectables and appliances, these restrictions have not been found to hamper or interfere with the traditional physician -- patient relationship. On the contrary, it has been found to improve it by making the best medicine available in useful quantities at the proper time.

Prepayment as a mechanism for budgeting against prescription costs and as a device for spreading the cost in a voluntary way over a population has been approved by the Canadian Pharmaceutical Association.

The Green Shield Plan has the endorsement of the Ontario Retail Pharmacists' Association and some 50 per cent of its members are enrolled in the plan. At the recent annual convention of the O.R.P.A., the success of the plan's three year pilot study was noted and it was resolved that the association should use every means at its disposal to encourage the enrolment of all association members into the plan and that the association should promote and encourage the enrolment of industrial and other groups throughout the community as participants in the plan to bring the benefits of pre-paid prescription service to as many people as possible.

The plan has also received the endorsement of the Essex County Pharmacists'





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Association and the Essex County Medical Society, one of whose members has been nominated to our advisory committee.

Organized labor in this area has studied thoroughly the features of the plan and their regional director has written as follows: "We believe the plan to be actuarially sound and the structure stable. We recommend this prepaid prescription plan to the membership of all local unions for their earnest consideration."

Profit making imitations of our plan have been set up in Santa Clara County, California and in Houston, Texas. A side by side comparison of the three plans, in a thesis form, won for a post-graduate of Wayne University his master's degree this spring.

The month by month actuarial and statistical data of our plan are under a continuing study by the School of Public Health Economics, University of Michigan, under Dr. Nathan Sinai and Dr. Benjamin Darsky. A tabulation of our 1960 data by Dr. Walker of the University of Toronto will shed some much needed light on the usefulness of generic prescribing and Dr. Scott Allen of the University of Michigan is investigating the frequency patterns and recurrence of drugs by their therapeutic values. As of now, for all of these studies, our plan is the only source of





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reliable statistical data available for the study of the utilization of pharmaceuticals by age and sex groups.

The Green Shield Plan is another in a long line of Windsor firsts. We are proud to have had a hand in its conception and development. We are all proud I am sure of the part that Windsor people played in developing Windsor Medical Service, and we boast a little when we have an opportunity to point to the achievements of Windsor Medical Services as the finest voluntary medical plan anywhere. Ten years of being told it couldn't be done, followed by another fifteen years of struggling for recognition, has now been forgotten, as recognition and honor has piled upon honor.

In our three years we have found a remarkable parallel in our peoples' attitude. It seems to me, that for those of us who believe in the dynamics of democracy, in the efficiency of free enterprise even when it is not so free or not so enterprising -- TIME IS RUNNING OUT.

Our society has become so complicated and our health services so expensive that our people have begun to look upon them as a matter of right and not a privilege. Our members of government are not insensitive to this new restiveness and are probing our ability to effectively supply the kind of health services now being demanded.





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It is my belief that if the professions of medicine and pharmacy are unable or unwilling to produce professionally operated plans, (and this can only be done on a voluntary basis with the voluntary assistance of management and labor, upon whom we must depend to develop the collection and payment procedures) then by default we will leave the task to be performed by less friendly people who will no doubt force compulsory collections and participation as well as dictate the quantity of medical health care this nation is to receive.

In the preparation of this brief it has been my main objective to deal with the philosophy underlying the principle of prepayment as it may be desirable, feasible and applicable to prescribed pharmaceuticals, as well as to lay the foundation for your interrogation regarding the actual administrative considerations inherent in operating the Green Shield Plan.

The pamphlet entitled Service Agreement sets forth the plan in complete detail in contract form while the General Information Booklet gives in abbreviated form and in layman's language the main points and conditions of the service. I will be glad to explain in detail, to the best of my ability, the conditions of sale, pharmacy participation, rate structure, utilization, exemptions, abuses, and any other relevant material







the committee wishes to discuss.

THE CHAIRMAN: Thank you, Mr. Wilkinson for your presentation of this brief on behalf of your Association. I will now ask any members to present their questions to you.

MR. RICE: Mr. Wilkinson, perhaps you could inform us as to how many people in Ontario actually are participating in this plan. I know they join by groups. How many individuals would be enjoying this plan?

MR. WILKINSON: Mr. Rice, we started the plan with one group of nine people and it grew in the first year to somewhere in the neighbourhood of 600 people. Since the second year it has held around 1,000 or 1,300 people, and it has been held deliberately at this number until we completed a three-year test. As a pilot plan.

MR. RICE: You have not attempted to grow the plan since that time?

MR. WILKINSON: No, there has been no attempt made to grow the plan physically until three years of operation had elapsed, and these complete actuarial studies would be evaluated.

MR. RICE: When will the three-year pilot plan be up?

MR. WILKINSON: It is now up.

MR. RICE: Are there plans now to extend this plan?





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MR. WILKINSON: No, there has been

no attempt made to grow the plan physically until  
three years of operation had elapsed, and these  
complete actuarial studies would be evaluated.

MR. RICE: When will the three-year

pilot plan be up?

MR. WILKINSON: It is now up.

MR. RICE: Are there plans now



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MR. WILKINSON: Yes sir, we are ready  
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C/AG/hm

In early spring of this year we put on a drive to enroll pharmacies outside of the Windsor area, to this extent we have some 400 pharmacies in Ontario, other than the Windsor area, completely enrolled now, with another 220 odd in the process, which will bring our number to about fairly close to 700 pharmacies of the 2,000. These pharmacies have been provided with complete kits and information as to how to charge our corporation for a prescription filled by one of our subscribers, and this means that at the moment we have one or more pharmacies in 135 towns, cities and villages in Ontario now.

MR. RICE: So that people in Ontario can get themselves into this plan by making arrangements with their pharmacy?

MR. WILKINSON: Yes sir.

MR. RICE: What is the attitude of the Association towards your plan?

MR. WILKINSON: The O.R.P.A.?

MR. RICE: Yes, the Ontario Retail Pharmacists?

MR. WILKINSON: Yes, the O.R.P.A., very early in the game saw the advantage of having a plan of this nature available, and working, and from general funds the O.R.P.A. contributed \$2,000.00 to our underwriting fund, to get us going.





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MR. RICE: I notice it is a non-profit making organization. Can you explain how you maintain the level of no profits? Do you reduce the price of prescriptions and fees, or how is it done?

MR. WILKINSON: A non-profit organization is a term, as you may quite well know, that applies to the type of charter that you have. It does not mean that you must not operate, that you must operate at a loss. A non-profit charter permits us to operate without share capital, and there are certain tax advantages. It limits the use that you can make of any surpluses which you make, and I think that the essence of your question is what would we do with the surplus if we had one?

MR. RICE: Yes?

MR. WILKINSON: With non-profit organizations such as Blue Shield and so forth, if you have surpluses beyond those that are useable and required for normal growth and expansion, then one of two things must take place. You either reduce your rates or increase your coverage.

MR. WHITE: Would the druggists charge the plan exactly the same price as if the patient has walked in with a prescription and paid for it himself?

MR. WILKINSON: Yes, this gets into the field of the pricing schedule. We develop a prescription service pricing schedule based on the



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60% formula which you are now familiar with, having had it presented as an Ontario College of Pharmacy teaching pamphlet. It is not identical, but it is based on the same formula. This is distributed to all of our members, and this is the price that they bill us for a prescription. To amplify your question just a little, I might show you a pharmacist's charge card. Each prescription that is filled by a pharmacist requires him to fill out an I.B.M. card, and they object very much to this, because apparently it is too difficult for a pharmacist, but we are, after three years, getting them so they can fill the proper block in, and in one of these places he puts the cost of his ingredients and bottle or container, and label, and the other the patient's price. This is billed to us at that price, and in another box we fill in what we are going to pay him, and at the moment we pay him what we can afford.

MR. WHITE: What percentage less than a patient are you paying?

MR. WILKINSON: 20% now. It will never be less than 10%. There will always be a withholding of 10%.

MR. BRYDEN: I take it your objective would be to have the figure at approximately 10%. When you say it is now 20%, I thought I detected an indication that that was expected, rather than policy?



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MR. WILKINSON: Yes, that is right. Our formula for setting fees is based on the fact that 90% of the premiums collected must pay 100% of the drug bills and 10% would be retained by the corporation for overhead, and for building a surplus, and this is quite in keeping with other health plans. Windsor Medical for instance operates at about 7.9 to 8.1% of their collections goes to their overhead. The reason for them being pro-rated at the moment is simply that in any pilot plan you must limit your members, because if you make a mistake in the pilot plan with 20,000 people, you can be broke in one month, whereas if you limit your members and have small losses and charge it to tuition, this is where you are learning, no one is going to be hurt very badly, and if you are collecting \$2,000.00 a month in premiums and allow only 10% to overhead, you have only \$200.00 for overhead, which is not enough to pay even minimum operating of an office or help, so for the three years we accept the fact that we must go into the hole on the overhead. During this three years we will find the way we can verify if our rate structure is covering the cost of medication. This has been done. I have some figures. I mentioned in my brief that the University of Michigan School of Public Health do our research and statistical work, and the next project is to be 36 months' study from





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the beginning, but in order to come to this hearing today I badgered the people at the University and last night they sent me by special delivery a few figures which cover up to July 1960, and we find that on 7,539 person months of coverage, with our present rate, that we made a half a cent per month per person.

MR. WHITE: What does that mean --

MR. WILKINSON: This is without any overhead. 10% of that would go to overhead.

MR. BRYDEN: You mean with 90% contributed to prescriptions, you just barely cover the cost of prescriptions?

MR. WILKINSON: That is true.

MR. WHITE: How many subscribers did you have during that period?

MR. WILKINSON: It has fluctuated between 1,200 and 1,300. I don't believe that these figures are relevant to your enquiry really, except as a passing interest that these ~~will~~ be published in their entirety one of these days, probably 60 or 90 days, in pamphlet form, and will be available to everyone. D.V.S. always gets a copy of everything we do, and as the University is doing this as a research project, it naturally becomes public domain, but it is interesting to note that the only thing that we could find out from all the actuaries and insurance companies and statisticians about



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the beginning, but in order to come to this hearing today I badgered the people at the University and last night they sent me by special delivery a few figures which cover up to July 1960, and we find that on 7,500 person months of coverage, with our present rate, that we made a half a cent per month per person.

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running the prepayment plan is that it couldn't be done, and I found in the pilot plan in three months we have lost in the neighbourhood of \$17,000.00. We find that we have an operating organization here where the rates are a half a cent per person per month in the black.

THE CHAIRMAN: On page 6 of your brief, you might clarify the first two paragraphs a little more in detail, if you would please?

MR. WILKINSON: That is the enrolment of Green Shield is by group only?

THE CHAIRMAN: Why the subscriber would pay 35 cents for each prescription?

MR. WILKINSON: This is a safeguard, that is the second paragraph, that we put on, and having borrowed it from the British Health Plan and also from the New Zealand plan. Under the definition of a drug in either the Pharmacy Act or the Food and Drug Administration Act, there is no way of including household medications which you normally find in your medicine chest, such as Tincture of Iodine, Boracic Acid, Epsom Salts and so on and so on.

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The experience under the British plan was that the subscriber attending her physician for her legitimate ailment, received a prescription, at the same time said: "Oh doctor, I need iodine, boracic acid and epsom salts", and pressure is exerted



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on the physician to prescribe these things, and the pharmacist must fill them. All of these items can be bought for 35¢ or less, and are not presently being considered as prescriptions, and are almost never prescribed by a doctor, and we have no desire of creating another whole field of prescriptions that don't exist today.

MR. TROTTER: Do you find that there is a turnover of the number of people that are in the plan?

MR. WILKINSON: Our turnover has been very, very small, and this was surprising. In spite of the lay-off in industry in some of the small plants that are members here, as you know, from all these other health plans there is the opportunity if you are laid-off or leave the place of employment, to qualify as a paid direct subscriber, within a certain period of time. In almost all cases people who have been in a danger of losing their coverage through change of employment apply for pay direct coverage, so I don't know what the percentage is, but there is a very, very small turnover.





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/BL/dpw

MR. TROTTER: I realise your plan is gaining, but this plan seems to have some of the major weaknesses in that the older people who seem to have to spend so much on drugs don't seem to be covered, I think for two reasons. I may be wrong in this, and you correct me if I am. First of all, that the older people are not in the normal groups, and, secondly, I notice from your one folder an adult dependant cannot be a part of the plan unless they be between 19 and 60. In other words, someone over 60, they couldn't bring in a dependant mother and father.

MR. WILKINSON: Over 60, that is right.

MR. TROTTER: Would that not be a weakness in the plan, that people would have a difficulty joining? I know it is almost impossible if they are in a group, and if they are not in a group they are practically left out in the cold completely, aren't they?

MR. WILKINSON: This is a weakness of all health plans and pension plans and all types of group benefits, life insurance. It is unfortunate but it is there, and what you say is exactly true. There is a brighter side to it as far as we are concerned, and that is we have been doing a research with a special group of retirees. We have enrolled some 450 former employees of the Chrysler Corporation



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in Windsor. Their fees are paid by their union, Local 444, from a welfare fund, and it is an assessment against the working people, so much a month put in to pay for the retirees. We have a special contract with these people; it has now to December 31st to run. We have gathered, I think, very, very hopeful statistics. It is costing us about \$2.50 per person per month to administer this for the retirees, and there is 1.68 people to a family unit of these retiree people, and if you project this, this works out to about \$4.56 per family unit. We are working with these figures at the present moment to find out if we can rate people over 65 provided they are in groups such as this, and it looks very hopeful to me. That is about \$4.55 or 56 cents per family unit or about \$2.50 per person, depending on how the contract would be finally put into force, would cover these people. It is interesting to note that these people get .6 prescriptions per month, which is 7.2 prescriptions per year, which is  $3\frac{1}{2}$  times the D.B.S. figure.

MR. RICE: If a person joins your plan before they reach retirement age of 60, may they continue on in the plan and pay direct?

MR. WILKINSON: Yes.

MR. TROTTER: In an area such as Windsor where there is apt to be a strike where a large portion of the population is affected at



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MR. WILKINSON: Yes.

MR. TROTTER: In an area such as

Windsor where there is apt to be a strike where a large portion of the population is affected at



once, has that any effect on your plan?

MR. WILKINSON: No, none at all, because we don't enter into the field of labour negotiations. We are completely neutral. We have a plan, and like management and labour to see it work and look at the contract, and each contract stipulates how fringe benefits will be carried on; and then they still have the opportunity, that is the subscriber, to pay direct, and for 10 cents more, which covers the cost of mailing their statement to them, they can be insured, and our rate is \$1.90 per adult, and if they go on and pay direct it is \$2.

MR. TROTTER: Your pilot plan, because of the area it is in, may not reveal one of the difficulties that, say, the Blue Cross Plan has, in that you may have 80% of the people enrolled but it is not the same 80%. There is always a big turnover. I thought possibly that you may have the same trouble in Windsor.

MR. WILKINSON: It would be too soon for us to hazard a guess at what our problems are going to be when we go into rapid expansion.

MR. RICE: On this original number of 1,300, did you have to turn away any applicants after you obtained the 1,300, any people that you couldn't take?





[illegible]

[illegible]

[illegible text block]

[illegible text block]

[illegible text block]

[illegible text block]

[illegible text block]

[illegible]



I have to answer that question two ways: you must remember that this is group enrollment, where we must enroll 75% of the employment picture in excess of 11, or 100% of the employment picture if under 11. This way the well and the sick pay for the sick.

We stopped even attempting to sell when we got beyond our thousands. We don't go and sell on anybody to ask them to join the plan. It's someone comes and says that they have a group of 10 people they would like to bring in, we enroll them. This is why the group has gone a little - there has been a variation in it.

There was no question of whether we would take people away. We have turned away thousands of people who wanted to join it as individuals and I believe that if we were to make one single plan which covered the employees of the corporation in the city of Memphis that we would enroll 11,000 people in a single enrollment plan, then we would have that 11,000 people as there tomorrow morning and every one of those 11,000 employees would be sick and every one would be getting the more than the 11,000 of medical expense, and know it. Our plan would be better in the short run.

MR. BARNETT: Is following from that, you wouldn't anticipate that you will ever be able to accept individual enrollment. In other words,



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ways: you must remember that this is group enrollment, where we must enroll the type of the employment picture in excess of 11, or 100% of the employment picture in under 11. This way the bill and the bill get the

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when we got beyond our resources. We don't go and call on anybody to see them in the city. If someone comes and says they have a group of people they would like to bring in, we enroll them. This is why the group has gone a little - there has been a variation in it.

There was no question of better we

should turn people away. We have turned away hundreds of people who wanted to join in as individuals and I dare say that if we were to make one single piecemeal through the newspapers or the legislation

in the City of Windsor that we would enroll 10,000

families on a single enrollment basis. That we would

have that 10,000 fixed as there is no money

and every one of these 10,000 families would be sick and every one would be using far more than the \$1.50 of medicine apiece, and know it. But this would go under in the first two months.

MR. BRYDEN - So following from that,

you wouldn't anticipate that you will ever be able

to make individual enrollment. In other words,





you just get an adverse selection if you do so that you have to confine yourself to group enrolment or those who continue on after leaving a group?

MR. WILKINSON: I wouldn't like to say that this follows Mr. Bryden. Certainly for the foreseeable future this will be the case but let me direct your attention to the experience of Windsor Medical who have the same enrolment procedure that we have. In fact, we copied their enrolment procedure.

When they had enrolled something like 85% of the people in the county, they said all right this county now becomes a group and they set a rate for individuals and they enrolled individuals.

MR. BRYDEN: In other words, they got almost to a point of universal coverage and then there was no danger of selection against them. What you feel against accepting individuals, at the moment, in your plan is people who have heavy or who know they have heavy bills for pharmaceuticals. Not merely insuring, just playing a sure thing, in other words.

MR. WILKINSON: People that have heavy medical bills are most anxious to get in this plan. I might refer back to this, and partially in answer to your question, we break down the cost of handling each individual in the groups. Under six years of age by male and female; 6 to 18, 19 to 44, 45 to 64



You just get an answer relative to you do so that  
you have to continue yourself to group environment or  
those who continue to stay in the group.

MR. WILLIAMS: I would like to say  
that this fellow Mr. Huxford, certainly for the  
foreseeable future this will be the case but let me  
direct your attention to the experience of others  
Medical who have had some experience in this  
we have, in fact, we have some experience in this

that they are not exactly like  
85% of the people in the world, they are not exactly  
like people who are in a group and they are not  
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MR. WILLIAMS: In other words, they are

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age for male and female; 6 to 18, 19 to 44, 45 to 64



and 65 and over. We do this by male and female and we are the only organization who can give any accurate answers on this at all anywhere in this continent, and as I say I got these figures just yesterday: under six years of age the cost of medication is high. Male and female are about the same; 89 cents for a male and 82 cents for female.

MR. BRYDEN: Per month?

MR. WILKINSON: Per month and we are only charging them 65 cents. Between 6 and 18 years of age a male costs us 28 cents, a female costs us 30 cents and still paying 65 cents. Between 19 and 44 a male costs us 68 cents and a female costs us \$1.76. Between 44 and 64 a male costs us \$2.65; female costs us \$3.46 and they only pay \$1.95. Over 65 a male costs us \$1.38; a female \$2.13. When we move into the retired group - that is without the retired group included. This is the employable group. When you move into the retired group we find that the male is \$2.28 and female \$2.78 for an average of \$2.49. These to us are most interesting figures but partially in reply to your question Mr. Bryden the fact that you may not have to pay a lot of money right now for medication is not necessarily going to hold next year or next month. One single automobile accident can put you in the high cost.

MR. BRYDEN: I realise that except I judged from your answer that you suspected





and 65 and over. We do this by date and female and  
we are the only organization who can give any such  
data answers to this at all anywhere in this country.  
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Mr. WILKINSON: How much did we see  
only operating from 65 cents. Between 65 and 15 cents  
of age a male costs us 65 cents, a female costs us  
80 cents and still paying 65 cents. Between 15 and  
40 a male costs us 65 cents and a female costs us  
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THE CHAIRMAN: Thank you very much for your statement.



that the people who are interested in enrolling as individuals were those who right now were paying large amounts for medication and not merely those who were taking thought for the future.

MR. WILKINSON: I think there is a lot of larceny in all of us and naturally the people who think they can benefit now are going to attempt to get into these plans. These are some of the weaknesses, I think, as you pointed out of a voluntary plan. Either you can have these regulations and accept these limitations and weaknesses and have a plan which will do a good job, or you can say we must have the whole piece of pie and find that you have nothing. This is the way we look at it; though at the moment this is probably the best approach to supplying of prescribed pharmaceuticals.

MR. BRYDEN: Would there be any advantage in trying to work out some sort of a package whereby people got medical, pharmaceutical and hospital altogether? As things stand now they really have to get into three different plans to get the total coverage.

MR. WILKINSON: I can only refer you Mr. Bryden to the fact that the commercial insurance companies have had this type of coverage under consideration for many many years and they have refused to touch pharmaceuticals. In our initial stages we contacted at least three insurance companies in the



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Mr. Baylen to the fact that the commercial insurance companies have been very reluctant to take on this sort of a plan for many years and they have refused to touch pharmaceuticals. In our initial stages we have been at least four times as much as the





hope that they would either assist us or help underwrite or do something. We had no luck whatever in interesting anyone and we were told on each occasion that no one could provide any comprehensive plan for prescribing pharmaceuticals. This is one thing that everyone is certain of, that it cannot be done.

MR. WHITE: My company has a comprehensive plan that includes cost of drugs after \$25 annual deductible.

MR. BRYDEN: A commercial plan?

MR. WHITE: Yes. So there are plans available certainly which include drug cost.

MR. WILKINSON: Yes Mr. White but you will notice that your company put the plan in the last three years and it has done it because they felt that it would be good business to get into the field now but they, even the insurance of your - what is it? 129 companies that have formed this Trans-Canada Insurance Group use a \$25 and \$50 deductible on 80% co-insurance and if you will sit down to figure this one out it doesn't fill the bill for comprehensive medical coverage at all.

MR. WHITE: Well I couldn't agree with that. \$25 deductible applies to all medical expenses including doctor bills and surgical expenses, and so on. I mean I think it goes a long way towards filling the necessities of our employees. However, that is probably not worth debating



Witness

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at this moment.

MR. WILKINSON: We feel that a plan of this nature to be of any value, of any substantial value must cover the medicine that is needed now, not recoverable by reimbursement insurance. You must be able to walk into your pharmacy and get your prescription now, not when you can borrow the money and afford to pay for it and then be reimbursed six months later after you get a great big deductible and have 80% or 20% co-insurance. This is the approach. Our philosophy is they need the medicine now and that some plan must be devised to provide medicine now.

MR. WHITE: That brings to mind - Mr. Rice, or Mr. Chairman rather, am I in order pursuing this line of questioning for a minute?

THE CHAIRMAN: Yes.

MR. WHITE: That brings to mind the so-called life saving drug plan that I have heard about which is in effect in Australia. I was going to ask you if you could explain the bad experience in New Zealand which you mention on page 7 of your brief because my understanding is that the Australian plan is very successful; that the costs are so moderate the Australian Parliament just recently introduced new legislation greatly broadening the provisions of the legislation. New drugs were added, and so on, and the different things I have





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added, and so on, and the different things I have



heard about the Australian plan are so good compared to this unfavourable report you are quoting on page 7, I am just wondering what the reason would be.

MR. WILKINSON: I am afraid I cannot help you because I don't know the refinements and the differences between the Australian and the New Zealand plan.

My understanding is that the New Zealand plan is very much like the British plan except that they did not have a shilling charge or minimum charge for each prescription as we have, 35 cents, and this was the disastrous part of it and that they now, I understand, put on two shillings. The thinking behind that is that this will correct it, the abuses and over-uses because there was no deterrent on this type of medication.

MR. WHITE: This was true of New Zealand.

MR. WILKINSON: That is as I understand it. The British went from one shilling to two shillings and I think New Zealand people have gone from no shillings to two shillings.

MR. WHITE: You don't know what they had in Australia?

MR. WILKINSON: No, I don't know the Australian plan. As you mentioned the Government has a free list of certain life saving or life prolonging drugs and under certain conditions the



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populace can apply for these and get them and have them charged to the tax fund but I am not familiar with the other aspects of the plan; what happens to the non-life preserving and life prolonging, life saving drugs.

MR. WHITE: Now, Mr. Wilkinson, in your brief you mention that you did not believe any substantial drop in the price of pharmaceuticals could be affected. We were told a week ago by the owner of 19 or 20 Toronto pharmacies that the average price of prescriptions in his chain stores had dropped 12% in the last six months. This would indicate to me that your opinion in this may not be correct.

MR. WILKINSON: In each case it is one man's opinion Mr. White.

MR. WHITE: His was backed up by statistical evidence.

MR. WILKINSON: True. It is true that there has been a drop in the cost of some pharmaceuticals in the past year. In some cases there has been quite a dramatic drop. This is only part of the story.



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MR. WILKINSON: Now, Mr. White,

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F/JW/hm

Each week we receive new pharmaceuticals, new developments. Since I appeared before you last on June 17th, 47 have come in our store new. These are all in the high price range or in -- shall we say -- a relatively high price range. So with the obsolescence of the older ones, their reduction in price as they become obsolete, and with the new ones coming in and with the general inflationary trend at the manufacturing level, I can see no reason for any substantial decrease.

MR. BRIDEN: Didn't you say in your brief something about 20% as a possible figure for reduction in the cost of pharmaceuticals, or did I read that wrong?

MR. WILKINSON: Yes, I was dealing there, Mr. Bryden, with the fact that I am a member of a joint O.M.A. - O.R.P.A. committee and one of the things that we have been exploring is some method whereby the two professions together could pool their resources, their buying power and whatever resources we have, to try and get this medicine to these medically indigent people at a lower rate. As I say, we have almost abandoned the hope that we can get preferential discounts of any size that would be sufficient to change the picture for the indigent.

MR. BRYDEN: Except that 20% is not to be sneezed at. I agree with your proposition







that prepayment is a sound approach, but I think a 20% reduction is good to have too, along with prepayment if it is possible.

MR. WILKINSON: If the professions are going to pressure their members to take, to dispense at cost, and if the doctors are going to pressure their people to reduce their costs, and if everybody agrees to drive their profession down profitwise in order to give a benefit to these indigent people, which is what we are planning to do, then we feel that this saving has got to be sufficient to make it worthwhile. Medicine that is \$12.00 a hundred or \$10.00 a hundred, a 20% discount on that does not help the poor guy who only has a dollar in his pocket.

MR. BRYDEN: It would make a very significant difference, wouldn't it, Mr. Wilkinson, if prepayment plans such as the one you have been experimenting with became universal, because then it would affect everybody's premium. It may be, therefore, that if someone has a prescription bill for \$10.00, \$8.00 is not that much difference, but if he is paying a premium on a prepayment system, a 20% reduction is significant.

MR. WHITE: Mr. Wilkinson, perhaps you can tell us the average cost of prescriptions in the first three months of this year supplied under your plan compared with the same period the



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MR. WILKINSON: It is a prepayment

you can tell us the average cost of prescriptions  
in the first three months of this year applied  
to your plan compared with the same period the





year before. That would be very interesting.

MR. WILKINSON: It is not a figure that we took out. That will come. It is not a figure which I have in these columns.

MR. WHITE: Has the average price of prescriptions dropped in the last six or eight months?

MR. WILKINSON: In my own store the average price of prescriptions has dropped.

MR. WHITE: Wouldn't you agree that your remark that no substantial drop in price would be effected is a little pessimistic if we have already dropped the average price?

MR. WILKINSON: I think we are dealing here with semantics. What do you mean by "substantial"? What do I mean by "substantial". I am not speaking of 10% or 11% or 12%. What I mean is a substantial saving.

MR. WHITE: I would say 12% is substantial and I think we can expect an even greater drop as the drug manufacturers become aware of the fact that the doctors are being alienated by their terrific newspaper promotions of one kind and another and so on. I think we might expect considerably lower prices in the time to come.

MR. WILKINSON: I hope you are right.



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MR. BRYDEN: Probably a little proliferation of new products would help. I have forgotten the number you said, but it was a substantial number of new products came on your shelves in the last month. I doubt if a great many of them add very much to therapeutics. They may. The manufacturer may consider that they do something to his competitive position.

MR. WILKINSON: I have in my hand the new pharmaceuticals from the Drug Trading Company dated May 12, 1961. I have in my other hand new pharmaceuticals from the Drug Trading Company dated June 15, 1961, and I think it is a fair assumption that with this May 12th list, these products have been put into stock by the Drug Trading Company and will be available for us in five weeks.

MR. BRYDEN: Are they making compounds? There are no new wonder drugs that have come onto the market in the last five years, so it must be compounds or permutations or something like that.

MR. WILKINSON: The fact is that they are there.

MR. WHITE: Mr. Wilkinson, getting back for a moment to your conclusion that drug prices could only be brought down 20% by the medical and pharmaceutical professions, that item is on the basis that the drug manufacturers themselves





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would maintain their present price levels. Would I be correct in that, that 20% saving is on the assumption that the drug manufacturers would not themselves lower the prices, isn't that right?

MR. WILKINSON: I think I am going to have to go at this another way, Mr. White. The work of this Committee -- one of the subjects was, how can we get medication at a cheaper price for the medical indigent? We describe the medical indigent as a person who may not necessarily be receiving indigent help now, but in the case of an illness would be put over the line into medical indigency.

We discussed this in committee at some great length and tried to devise some form of discount that we could ask our people to accept, and the subject is not closed. I am sure it will be discussed the next time we meet. Every effort will be made to continue to try and find a solution to this, and that is why in my brief I said we have almost abandoned any hope of getting more than 25%.

It may be that by the time we meet again, something will have presented itself by which we can effect a greater saving, but at the time we met last it looked to us as if this approach was not going to work.

MR. WHITE: But that saving would come entirely from the druggists themselves, either



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because they parted with a portion of their profit margin, or because they ordered in larger quantities. The 20% is assuming that the drug manufacturers themselves do nothing to lower the prices.

MR. WILKINSON: That is true.

MR. WHITE: That is what I want to make clear, because we have had evidence before us that promotion costs ran something like 30%, that the profit on sales is running something like 17%, and I think perhaps other members of the Committee would agree with me that there is quite a lot of room for the drug manufacturers to lower their prices and still run a good healthy profitable industry.

That 20% is on the pharmaceutical side only, and if there was a 20% drop on the drug manufacturing side, that is 40%, and that would be very worthwhile, and I am sure I would say it was substantial and you would too.

MR. WILKINSON: If that can be effected, Mr. White, we would have a substantial lessening of the cost of medication and I am sure that we would be more than happy to see this come about.

MR. WHITE: Without dominating the questioning, may I just look into this matter of premiums versus average per capita drug cost. As I recall the average drug cost paid by the citizens in this province was seven dollars and perhaps



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I recall the average drug cost paid by the citizens

in this province was seven dollars and perhaps



twenty-nine cents, something like that. Does that sound correct to you?

MR. WILKINSON: Are you quoting D.B.S.'s 1951 figures?

MR. WHITE: I don't know who I am quoting. I think it was the Head of the Ontario College of Pharmacy. It was seven dollars and some odd cents.

MR. WILKINSON: I will have to take a minute or two to answer this one. The Dominion Bureau of Statistics -- not the Dominion Bureau of Statistics but the Health Department -- did what was called a Canadian sickness survey in 1950-51. They surveyed 10,000 families in the Dominion of Canada on their drug costs by questionnaire and by memory. This is ten years ago.

They then projected their figures to a fourteen million population which was estimated at that time and they came out with what has turned out to be as far as we are concerned some incredible answers.

It was on the basis of the D.B.S.'s average number of prescriptions and average cost of prescriptions that we practised our first premium rate in 1954 or 1955.

They did not take into consideration many of the variables that have come into being or that were perhaps in being then.





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medicine is available.

MR. WHITE: Yes.

MR. WILKINSON: When you make a medicine available, you must also make a doctor available first. If you are living in an area where P.S.I. makes a doctor available on first call and then at the same time makes the prescription he writes available on first call, then you have got an entirely different picture.

MR. WHITE: What you are really saying is the people of the province are getting less than half as much medicine as they should be using. If the average in the province as determined by Professor Fuller is seven dollars and some odd cents, and the average price in the entire plan is \$18.00 or \$19.00, there is quite a big gap there that should be filled by somebody.

MR. BRYDEN: It must mean that some are getting nothing, if you bring the average down to \$7.00.

MR. WILKINSON: I am sure you would not want me to comment on the credibility of Professor Fuller's figures. I think he, like the rest of us, was led up the garden path by Dominion figures, and I think that if proper surveys were done in any province and these surveys were done on a large enough sample and that they were adjusted to the democratic composition of the community,



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AG/dpw

MR. BRYDEN: Have you any idea as to the difference in utilization by people covered by your plan, and other people in the same area? Has utilization gone up significantly by reason of the fact that they don't have to pay for the product when they get it?

MR. WILKINSON: There is not any way of arriving at any such a survey. We have control of our people, the people who are subscribers of our plan have their prescriptions filled, a record is made in the pharmacy, and those are accumulated in our office every month, and I.B.M. processed, so that no matter where this person goes for his service we know what he has done. We have no way of tracing your family for instance, or anybody's family, who is not a member of the plan, so that type of figure is not available anywhere, so that you can make no comparison.

MR. BRYDEN: Your plan would be useful in showing an average, because I presume for people covered by plans in an urban area, at least I presume that in a town similar to Windsor one could expect the experience to be the same as yours. Assume that a universal plan went into effect, your experience would tell --

MR. WILKINSON: Treated with the proper amount of caution. Our people at the University of Michigan tell us that the access to





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of arriving at any such a survey. We have records of our people, the people who are subscribers of our plan have their prescriptions filled, a record is made in the pharmacy, and these are accumulated in our office every month, and I.E.M. presented, so that no matter where this person goes for his service we know what he has done. We have no way of treating your family for instance, or anybody's family, who is not a member of the plan, so that type of figure is not available anywhere, so that you can make no comparison.

MR. BRYAN: Your plan would be use-

ful in showing an average, because I presume for people covered by plans in an urban area, at least I presume that in a town similar to Windsor one could expect the experience to be the same as yours. Assume that a universal plan went into effect, your experience would tell --

MR. WILKINSON: Treated with the

proper amount of caution. Our people at the University of Michigan tell us that the access to



the physician is just as important a part of the figures here as the access to medication.

MR. BRYDEN: And that is partly a function of medical plans, as well as availability of doctors, isn't it? In other words, access to physician as you call it, would increase if there is a medical plan in effect, is that fair to say?

MR. WILKINSON: I think if I follow your question, it is will people go to their doctor oftener if they can go free?

MR. BRYDEN: If they can go without paying for that particular visit?

MR. WILKINSON: That is the experience, I think, of P.S.I. and of Windsor Medical.

MR. TROTTER: When you try to sell the idea of this plan to the pharmacists themselves, have you had very much resistance from them? Are they anxious to be a member of the plan or not?

MR. WILKINSON: I think people are people, whether they are pharmacists or whether they are in any other walk of life. We have many who are so sold on seeing this plan develop as a professionally operated voluntary plan, that they have donated very far beyond what they have been asked. We have many, many of them that have done everything over and above asked, and we have a number who have philosophical, political, or other objections to this type of plan, and let it be made



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known. We have them far to the right, and we have them far to the left.

MR. TROTTER: Could it be said that the majority of pharmacists that you have approached are in favour of the plan?

MR. WILKINSON: Oh, yes, the overwhelming majority are in favour of the prepaid prescription plan.

MR. TROTTER: Is there any underlying fear that once your plan is well-established and accepted, say like Blue Cross for hospitalization, that the Government might step in, as it did with the hospitalization?

MR. WILKINSON: Yes, this thought is expressed by everyone. It is of some concern to some people, and to others, if it happens it would be a matter of evolution. In the meantime, if the Government were to take our plan, or a modification thereof, the same as they did the Blue Cross, I am quite certain that it would be part of our political evolution, and that the goal of the pharmacist as a professional member of the health team would be adequately safeguarded, in the same way as the hospitalization people have been safeguarded, and so I personally don't look with any fear upon the future. I believe the main thing is to get the plan going and operating and prove that it can be done, and to supply the best services on a voluntary



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basis and in keeping with our political philosophy that we can do.

MR. TROTTER: Do you think that there is anything that the Government can do today to help your plan, not necessarily taking it over, but is there anything the Government can do in the way of surveys or something of that type?

MR. WILKINSON: Seeking government assistance has never occurred to us. We would welcome, and have welcomed and spent many hours of our time, with members of this government in going over the specifications of this plan. Your Department of Welfare and your Department of Health have both sent people to our offices and have spent a day or two in studying this plan. We think that it would provide a very sound basis for the handling of the medically indigent in the Province, and we see no reason why some arrangement of that nature couldn't be worked out, if the Government would care to sit down and work it out.

MR. TROTTER: This next question, I think, was partly answered earlier, but I just want to be clear on it. Has the business increased for those pharmacists who are in the plan?

MR. WILKINSON: This is a question that is asked by everybody. We have less than 1% of the population of the community insured, and so there is no way of measuring with any degree of





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accuracy the increase in business, as you call it, as a result of the people in the plan. All I can do, again, is to point to the utilization factor, and the utilization factor for elderly people over 60. I might add that these people that we have in this retired group, over 60, receive a very minimum pension. It is one of the poorest pensions that I have ever heard of, and they are getting 7.1 prescriptions per year under this plan. The average cost of their prescriptions runs over \$4.00, \$4.70, for these elderly people, and I am certain in my mind, and I am sure you must be, that these people on a \$39.00 pension would never be buying that medication. They would be going without. So to that extent we can say, yes, the utilization because they have free access to the doctor through Windsor Medical, and free access to first prescriptions through Prescription Services, so we are to that extent filling more prescriptions.

MR. RICE: Does the subscriber have to get his prescription filled from a member pharmacist?

MR. WILKINSON: Yes, he must.

MR. RICE: Is there any way you can limit the number of pharmacists who can join the plan?

MR. WILKINSON: No, any pharmacist is eligible to join the plan if he holds a licence in



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good standing with the Ontario College of Pharmacy.  
That is our material.

MR. RICE: May I turn next to your Association, the Ontario Association of Retail Pharmacists. Has the Association any tariff, or method, for prescribing prescription rates, that is apart from the College method?

MR. WILKINSON: None.

MR. RICE: Does the Association give any direction to its members as to prescription rates and how to charge, and what-not?

MR. WILKINSON: None. This is a subject which is not within the proper scope of our Association.

MR. RICE: I just note that your Association appears to be different from any other professional association in that regard. It is the Association which sets these tariffs, the medical association, I know in the legal profession it is ordinarily the local association that sets the tariff and gives some guide as to fees and charges.

MR. WILKINSON: With respect to the Ontario Retail Pharmacists' Association, in the years that I have been a member and a member of the council and the executive, I have never heard the subject of what should be charged for a prescription ever discussed in a meeting, and the reason is very simple. We deal with services and a product, and



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there is some question as to the legality of discussing the price of a product, and I would say for the good judgment of the executive members of the O.R.P.A., that they stay away from this subject entirely.

MR. RICE: Is the College method of determining prescription prices used in Windsor at all?

MR. WILKINSON: The Windsor pharmacists, for the most part, use the 60% formula. They don't go along with the idea of the change in that College schedule after \$9.00, most of them, and there is no uniformity about the charging of a dispensing fee. No matter how much you discuss it privately with people and try to find out what they are doing, we know that the prices vary widely, but generally speaking they use the 60% schedule, which is the schedule of the prescription services.

MR. TROTTER: Are there any so-called cut-rate drugstores in Windsor?

MR. WILKINSON: We have the biggest cut-rate drugstore in the world in Detroit, a 20-cent bus ride from Windsor, and it is probably the toughest kind of competition that any pharmacy or group of pharmacies has to face. The competition of cut-rate and discounters that is presently in vogue here in Toronto does not begin to compare with the competition of Sam's Cut-Rate Drugstore in the City of Detroit.





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MR. RICH: Is the College method of determining prescription prices used in Windsor as well?

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MR. TROTTER: Are there any so-called

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MR. TROTTER: What would be the rate they cut the prices of drugs at this Sam's Cut-Rate store?

MR. WILKINSON: I cannot tell you that. I know they try to under-cut anyone else in Detroit, and your record here, I understand from reading the transcript which I have, that drugs in Canada cost about 11% higher than drugs in the United States, due to the sales tax. I believe I read that in your evidence here, and so this cut-rate organization even under-cuts --

MR. BRYDEN: The change in exchange rates will alter the situation a little in your favour?

MR. WILKINSON: I am afraid it won't alter the position substantially at all.

MR. TROTTER: Do you think the cut-rate stores in Canada hurt the small druggists? I don't think there are that many. I am not aware of many around, I know one so-called, I just don't know if they hurt the overall position of the small pharmacist, or affect the price of drugs at all in Ontario, or Canada?

MR. WILKINSON: I have no idea how to answer that question. I think basically if you put two stores, in other words one, then you have got to split the business, unless you double the population. I know that is elementary, but it is



MR. TROTTER: What would be the reason

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H/BL/hm

MR. TROTTER: I notice one of the items that cannot be obtained under your insurance scheme are vitamins. In some cases for children, do you not think that vitamins are very important?

MR. WILKINSON: Our decision to eliminate or to exempt vitamins is not based on whether or not they are important. The decision to exempt the vitamins is more of necessity. Our plan originally came into force allowing therapeutic vitamins. A therapeutic vitamin is a vitamin which contains one or more ingredients defined by the authorities, and we exempt all types of vitamins that people can buy anywhere. It didn't take very long for vitamin users and physicians to find out which were which, and so they killed the goose which laid the golden egg. We eliminated all vitamins. They are food supplements, and it means we can operate a plan, whereas if we allowed the five or six or seven million dollars, is it, worth of vitamins sold in Canada every year --

MR. BRYDEN: A lot of them are not prescribed by doctors.

MR. WILKINSON: One of the corner-stones of our plan is that we don't attempt to say what the doctor may or may not prescribe, or what quantities he may prescribe. We delineate precisely what we are willing to pay for. Anything over and above that the patient may buy for



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themselves.

MR. BRYDEN: All I was getting at is that I took it from what I have read that a very large percentage of vitamins consumed in Canada are not prescribed by doctors. In fact, doctors seem to consider that there is a great over-consumption of vitamins. By restricting it to doctors' prescription, do you think you are very vulnerable in your plan?

MR. WILKINSON: Yes, it left a very broad gap which was causing us considerable difficulty, financial difficulty.

MR. BRYDEN: What about injectibles?

MR. WILKINSON: Yes, we have exempted injectibles for the time being, and we did this on the advice of the accountant in Essex County Medical Society. There are two or three good reasons why we exempt injectibles. The first is that the people could be giving them to themselves anyway in dosage form, and the second, and perhaps most important, is that you would completely lose control. The physicians buy their own injectibles from their own sources of supply, and they would use them in their offices or their nurses would give them; and since the physician is not a pharmacist he would not belong to our plan and he would have no way of getting paid for it. So all the way around the inclusion of injectibles became an impossibility.





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So all the way around the inclusion of injections

being an impossibility.



THE CHAIRMAN: By injectibles, that would include vitamin B.

MR. WILKINSON: Yes, anything that goes into your body through a hypodermic needle; in other words, blood serum and vitamin B. There are two things. One, it is a vitamin which we don't pay for, and, two, it is an injectible which we don't pay for. We would point out the section of the contract where the corporation would not pay for it. This doesn't mean you could not have it; it simply means you would have to get it elsewhere.

MR. PRICE: Have you ever had any complaint from someone when they go to the doctor and find it is exempt from the plan?

MR. WILKINSON: Yes, we do, but most people are reasonable, and when it is explained to them and shown in the contract, and they had signed an undertaking that they will abide by that contract, they are reasonable. There is an odd one which gives us a little bit of trouble.

MR. BRYDEN: The 35¢ is collected at the time the patient gets the product, is it?

MR. WILKINSON: That is true.

THE CHAIRMAN: Any further questions?

MR. WHITNEY: Mr. Chairman, I have a question just as a matter of interest arising out of the submission that Mr. Wilkinson gave to the Committee just about two weeks ago, and that is in regard to



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the breakdown in accounting.

I notice that the dispensary was \$17,600.00, cosmetics, \$4,000.00, health beauty, \$5,800.00 baby, \$5,500.00 gift, \$7,800.00, miscellaneous \$49,300.00. Of course, miscellaneous is by far the largest item. Do you operate a lunch counter or soda fountain in your store? There could be a number of items, we understand, but, of course, patent medicines might be a large portion of it. Would you care to elaborate on the size of the miscellaneous amount?

MR. WILKINSON: Yes. The miscellaneous, we group them in all of the other things which are not included in those five, and this includes all of your packaged ice cream, all of your magazines and all of your tobacco. We happen to have large tobacco sales, and it is not profitable, which brings your gross down. Such things as your patent medicines, first aid supplies, salts, bromo seltzers, even into your household cupboards, such as insecticides and mothball proofing and that type of thing, all of your laxatives and headache pills. I don't want to give a plug to anyone, but there are a lot of things in that category.

MR. WHITNEY: In that regard, isn't it true that when you assess the wages of the pharmacist and the proprietor, and so on, to a great extent people go to a pharmacy and they ask



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MR. WILKINSON: I have already said

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great extent people go to a pharmacy and they ask



for advice or opinions relating to various products and perhaps the pharmacist doesn't commit himself but he says there is a lot of that sold or something of that kind. So really the patent medicine or associated products is very closely related to the pharmaceutical end of it. Because the proprietor of the store or his assistant are pharmacists, the general public are perhaps a little more confident in purchasing allied lines from the drug store than from any other source. We all appreciate the drug stores are having some difficulty, and I am just wondering whether or not it is just fair to assess as great a proportion of the pharmacist's wages and his assistant's wages to the pharmaceutical department alone, because we feel that one dovetails into the other, does it not.

MR. WILKINSON: You raise a very interesting subject. In some locations the proprietor of a certain chain store will find that he no longer has a sufficient prescription business to warrant it remaining as a pharmacy, and so he takes the pharmacist and pharmacy out and runs a patent medicine store. Some of them do this successfully, so successfully that you have a number springing up here in this city, where I understand if you get caught in the traffic jam at nine o'clock you will be in difficulty. These are stores where people don't care whether they talk to





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a pharmacist or not. On the other hand, you have locations where, if you removed the pharmacy, they go down and down until they finally close, and three more in Windsor have put signs in the window for rent. So in between these two you must have a lot of variation. You have the one on Scarborough Road which is a huge drug store without any pharmacist; you have the little store which will close, and in between those you have a great spread. Now, the subject of how much the pharmacist's wages should be charged to the dispensary and how much to other things is a perennial subject of continuous discussion. But I think there is one thing we should try to remember, and that is The Pharmacy Act says that we may not open that shop for business unless a pharmacist is on duty. Now, this being the case, you cannot turn a key in the door in the morning unless a pharmacist is there. Therefore all of his wages should be charged to what he does as a pharmacist, not as to whether he cleans the windows because his delivery boy is sick or he cleans the floor, but because he must be there in order to open the door. So my view is his whole wages have got to be charged to the dispensary. So between those two extremes pharmacists disagree, but this is my view; and I think in the light of the legal opinion here the other day, this is exactly what happened, they were fined a substantial amount of



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two extremes pharmacists disagree, but this is my view; and I think in the light of the legal

opinion that the other day, that is, that they were fined a substantial amount of





money for operating a place for dispensing prescriptions where there was no qualified person on hand.

So it gets to be an academic argument. You can take your own percentage, but as long as The Pharmacy Act says you must have a pharmacist there when you open the door in the morning, then you must pay his wages and it must be derived from the source where the pharmacist receives his wages.

MR. WHITNEY: I appreciate there can be a lot of variation, but in actual practice I would suggest that there might be a great many cases where the proprietor of the store does employ pharmacists and the greater part of the proprietor's time is taken with ordering and conducting the general business of the store and seeing customers, and yet he is on hand to do the dispensing and give his employed pharmacists time off. But really the management of the store would require a considerable part of a proprietor's own time.



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R/dpw

It is usually done in the overtime beyond this 40 hours a week. That is when the general management and the bookkeeping and so on is done in the extra hours unless the proprietor happens to own a store large enough to employ two pharmacists who could work shift and shift leaving the owner to be available to fill prescriptions during the busy hours and devote the rest of his time to the general management, as executive officer in the store and there aren't too many three-man stores.

MR. WHITNEY: That takes care of my questions, thank you.

THE CHAIRMAN: Mr. Rice have you something?

MR. RICE: No Mr. Chairman. Any other questions?

MR. WHITE: Just one question I forgot to ask earlier. You mention that the average price of the prescription sold or dispensed in your store was lower this year than last. Do you know by how much?

MR. WILKINSON: No I don't Mr. White. I took off all last year's figures to the end of the year and my recollection is that our 1960 figure was \$3.40 but I haven't taken anything off since the 1st of January.

We keep good accurate records of that.





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This is what we call in my store a daily worksheet (indicating), you see, and it has the name and prescription number, price for each prescription that is filled and these books are tabulated for new and repeat prescriptions and for the cost, total cost in a book and the average price and then at the end of the year we put all the books together and come up with a figure so ours are quite accurate.

MR. WHITE: But you do know that they are lower this year than last?

MR. WILKINSON: I am not trying to get around this thing at all. I am not sure that they are but I would say that because I haven't averaged one book this year, I would say that my impression is that the price, the average price of a prescription is lower this month than it was in January. I base that on the fact that many of the antibiotics have reduced from anything up to \$1.50 to \$1.75 a unit and that with the number of antibiotics being sold, I know that this must be reflected in the cost.

MR. WHITE: You think one of the reasons is the activities of this Committee?

MR. WILKINSON: That question was asked of Mr. Isaacson the other day and he said that it was quite possible that this could be. I wouldn't say that because I have no idea what has motivated the manufacturer to reduce his list price



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to us. I think if you will get at the motivation there you will find out why they are less in cost, if they are.

MR. WREN: He is just being kind. I say the manufacturer is just being kind.

MR. BRYDEN: He is also having a little trouble with his patents.

THE CHAIRMAN: In any event, there hasn't been any reduction so far as the druggists' percentage of profit is concerned? It remains the same?

MR. WILKINSON: We have lost a little - two companies have reduced their percent of profit to us, two of the major companies. You must understand that with our 60% formula of pricing which I have described to you, that immediately a price is lowered to us, this saving is passed on to the customer because we take our breakdown against what we paid for that medicine not what we might have paid for it a year ago. It's against what we paid for it, for that particular package, so if our prices are down then our prices to the public are down.

MR. RICE: Mr. Chairman, perhaps before Mr. Wilkinson leaves, I understand that he has with him today some books in connection with his pharmacy. For example, his poison record and some other books which I understand the members of



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the Committee, if they are interested, he can show them to them.

MR. WILKINSON: Well just in the hope that it might help answer some questions. I thought you might be passing some questions concerning that 75-cent dispensing fee over to us and so I brought along a little something in the way of records.

When we buy a narcotic, we enter it in this narcotic book in the back and then we put it on the shelf and when a prescription comes in for it, calling for that narcotic, we read and interpret it, fill it, label it, file it and then we enter it into our day book and then we have a family card for everybody. We enter it on their family card.

MR. WHITE: Is this required by law?

MR. WILKINSON: Some type of locative system is required by necessity. We now have to give income tax receipts to people for the prescriptions and they come in at the end of the year and want to know the amount they spent on prescriptions and you have to find it for them. Of necessity you have to have some locative system. We use this system. There are others. So that entry is made and kept and then we enter the sale of it again in the narcotic ledger in the front. Those are the procedures that we pass through.

MR. WHITE: Is that a perpetual inventory?





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MR. WHITE: Is that a perpetual inven-



MR. WILKINSON: Yes, and this is open to inspection by the Inspection Department of the Food and Drug Administration under the direct jurisdiction of the R.C.M.P. It used to be all R.C.M.P. but now this inspection service - they are not R.C.M.P. officers but they are specially trained inspection officers. When we buy a scheduled drug, or anything of that nature, or phenobarbital or dexedrine or any of the what is known as PR drugs, the purchase is entered in the back of this book. The sale we no longer have to enter but we go through the same procedure to fill a prescription and take responsibility that it is correct.

When we sell a poison we just enter the sale of it in here (indicating) and one of the anomalies of poison selling is that many of the poisons can be bought in a hardware store with no records kept but if a druggist sells it he has to keep records and have them inspected each time by inspectors.

MR. BRYDEN: Do you have to keep a record of your purchases of the poisons or just of your sales?

MR. WILKINSON: Just sales. Purchase records are kept at the - available through the wholesale offices. We often have people question the propriety of our 75-cent dispensing fee and we have a little saying in our store that sometimes



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has made the odd enemy but when the price of a prescription and the dispensing fee is questioned we offer the patient the medicine free if they will come in and fill it themselves and this is an offer that we will make to anyone at any time.

If anyone objects to the price that we charge for our services to professionally fill a prescription, if they will come back into the dispensary counter and will find the medicine and will fill it and then have the courage enough to take it, they can have it for no charge at all and we have never had a taker for this. Sometimes we get a person annoyed. They think we are being facetious. We are not. I am deadly serious. We have never had a taker but we still stand ready to make good.

MR. WHITE: No charge whatsoever?

MR. WILKINSON: No charge whatsoever. The merchandise, everything free. All you have to do is come in to the dispensary, read your own prescription, fill it yourself and if you have got courage enough to take it, you can have it.

MR. WHITE: I am surprised all the pharmacists in Windsor don't all deal with you.

MR. WREN: Do you dispense any liquor there?

MR. WILKINSON: Well we believe the workman is worthy of his hire and somebody has to



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pay us.

MR. RICE: Are there any further questions Mr. Chairman?

THE CHAIRMAN: I don't believe so. Mr. Wilkinson, on behalf of the Committee I do want to thank you for your second trip here and I am sure that your information will be most helpful to this Committee. You have been very gracious. Thank you.

MR. WILKINSON: Thank you sir.

THE CHAIRMAN: Nothing further Mr. Rice?

MR. RICE: Nothing this afternoon Mr. Chairman. We have the general lineup for 2 o'clock tomorrow.

MR. BRYDEN: Mr. Chairman is the hearing scheduled for Friday?

THE SECRETARY: No hearing is scheduled for Friday. I suppose we should say there is no hearing Friday if we get through the four of them; unless we bring somebody back in the morning. I think there are not too many briefs going to be here. Some of it is verbal. I think we can get through.

THE CHAIRMAN: The hearing is adjourned until 2 o'clock tomorrow afternoon.

--- Hearing adjourned at 4 p.m.





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THE CHAIRMAN: Nothing further Mr.

MR. WILKINSON: Thank you sir.

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THE CHAIRMAN: I don't believe so.

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# Select Committee on Drugs

## HEARINGS

HELD AT

PARLIAMENT BUILDINGS

TORONTO ONTARIO

VOLUME No.

**27**

DATE:

**JUNE 29 1961**

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SELECT COMMITTEE ON DRUGS

Proceedings of hearings  
held at Parliament Buildings,  
Toronto, Ontario, on Thursday,  
the 29th day of June, 1961,  
at 2.15 p.m.

COMMITTEE:

MR. H.L. ROWNTREE, Q.C. -- Chairman

MR. A. WREN

MR. J.A. FULLERTON

MR. J. TROTTER

MR. R.E. SUTTON

MR. R.J. BOYER

MR. N. WHITNEY

MR. H.J. PRICE

MR. K. BRYDEN

MR. J. WHITE

MR. G.F. LAVERGNE

MR. S.J. GADSBY, F.C.I.S., Secretary

MR. HAROLD A. RICE -- Committee Counsel

MR. W.J. AYERS -- Accounting  
Consultant to the  
Committee







AG/dpw

--- On resuming at 2.15 p.m.

THE CHAIRMAN: Gentlemen, this afternoon we have an agenda which could be lengthy, and anything I say is not to be interpreted as suggesting that anyone curtail the evidence in any way, but it is our hope that for the convenience of the witnesses, and of some of the members of the Committee, that this evidence might be concluded this afternoon.

We have Mr. John Mackay of the Peterborough Civic Hospital, which is a group B hospital, Mr. Kerzner who is an associate of Mr. Murray Rubin at the Vanguard Pharmacy, and I believe that was the organization which deals in the filling of prescriptions by mail.

Mr. Jeffreys of the Honest Ed's organization, and Mr. Englander, who is the president of Honest Ed's Pharmacy Limited.

Now, Mr. Rice, would you like to proceed.

MR. RICE: We will call Mr. John Mackay. Would you tell this Committee your full name please?

MR. MACKAY: John Mackay.

MR. RICE: What is your occupation?

MR. MACKAY: I am a superintendent at the Peterborough Civic Hospital.

MR. RICE: How long have you occupied that position?



--- On returning at 2.15 p.m.

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We have Mr. John Mackay at the bar.  
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MR. HIGGS: We will call Mr. John Mackay  
Would you tell this Committee your full name please?  
MR. MACKAY: John Mackay.  
MR. HIGGS: What is your occupation?  
MR. MACKAY: I am a superintendent at  
the Peterborough Civic Hospital.  
MR. HIGGS: How long have you occupied





MR. MACKAY: I have occupied that position for four and a half years as superintendent.

MR. RICE: What did you do prior to that time?

MR. MACKAY: I was in Lethbridge, Alberta, superintendent of the Lethbridge Municipal Hospital for five years.

MR. RICE: And prior to that?

MR. MACKAY: I attended the University of Toronto and a post-graduate course in hospital administration.

MR. RICE: Does that sum up pretty well your association with hospitals?

MR. MACKAY: One year prior to that I was with a children's hospital on the West Coast.

MR. RICE: Have you always been in these hospitals in an administrative capacity?

MR. MACKAY: That is correct.

MR. RICE: I understand that you have a brief on behalf of the Peterborough Civic Hospital.

MR. MACKAY: Yes sir.

MR. RICE: Would you proceed with that please?

SUBMISSION OF PETERBOROUGH CIVIC HOSPITAL  
(GROUP "B" HOSPITAL)

Appearance: Mr. John Mackay, Administrator

MR. MACKAY: The following brief relates to the -



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SUBMISSION OF PETERBOROUGH CIVIC HOSPITAL  
GROUP "B" HOSPITAL

Association of the Hospital, Administrative

MR. MACKAY: The following brief

refers to the



Procedures and Practices in effect at the  
Hospital Pharmacy of Peterborough Civic Hospital.

In the preparation of this brief, the same general headings are used as suggested by the Association's letter of May 19, 1961 -- this is the Ontario Civic Hospitals Association. In addition, the location and physical area may explain the reason for certain practices in effect. These, therefore preface the brief.

Location of the Pharmacy Department

The Pharmacy is situated on the first floor of the hospital, immediately adjacent to the Central Storage Supply, Admitting, and Emergency departments. The department is located approximately 50 feet from the central passenger and service elevators.

Physical Area

The department is composed of three adjacent rooms devoted to procedures involving solution mixing, dispensing, and manufacturing of preparations used in the hospital.

The total area is 640 square feet.

The pharmacy department is supplemented with a storage area, located in the basement floor beneath. This will be dealt with later in the brief.

I. METHOD OF DRUG PURCHASE

I.1. Purchasing Policy

No written hospital policy on drug



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### I.2. Procedure for Drug Purchases

The hospital has an established Purchasing Department with a Purchasing Agent through whom all Requisitions for purchases are funnelled from all of the various departments.

Purchase requisitions involving sums over \$100.00 dollars must first be approved by the Superintendent. However, in the case of drug purchases, because of the chief pharmacist's knowledge of prices and the budget of the department, this procedure is the exception rather than the rule.

While the Purchasing Agent places the actual order for drugs to the various suppliers, the orders are a result of specifications, quantities, and prices supplied by the chief pharmacist. Thus, it is really the knowledge and experience of the Chief Pharmacist that governs actual drug purchases rather than that of the Purchasing Agent.

The purchase procedure involves the following steps:

- (a) For all purchases of drugs, the



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The purchase procedure involves the

following steps:

(a) For all purchases of drugs, the





purchase requisition is originated by the Chief Pharmacist in duplicate. The purchase requisition bears the name of the supplier, quantity of drug to be purchased, name of the product, strength of product, and price.

(b) The original of the Purchase Requisition is passed to the Purchasing Agent. The copy is retained by the Chief Pharmacist for checking purposes when the actual order is received.

(c) The Purchasing Department copies the information on a pre-numbered Hospital Purchase order in triplicate exactly as written by the Chief Pharmacist on the Purchase Requisition. Prices are also included on the Purchase order.

The Purchase order form bears the following wording at the bottom "I certify that the articles or materials being purchased hereby are for the sole use of the Peterborough Civic Hospital and are not in any case for resale". The Purchase Order is dated and signed by the Purchasing Agent before being mailed to the supplier of the drugs. The Hospital therefore is not required to pay Sales Tax for its drug purchases.

(d) The original of the Purchase Order is mailed to the supplier. A copy of the order is sent to the Receiving Department. The second copy is retained in the Purchasing Department.



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(b) The original of the purchase requisition is passed to the Purchasing Agent. The copy is retained by the Chief Pharmacist for checking purposes when the actual order is received.

(c) The Purchasing Department copies the information on a pre-numbered Hospital Purchase order in triplicate exactly as written by the Chief Pharmacist on the Purchase Requisition. Prices are also included on the purchase order.

The purchase order form bears the following wording at the bottom "I certify that the articles or materials being purchased hereby are for the sole use of the Peterborough Civic Hospital and are not in any case for resale". The Purchase Order is dated and signed by the Purchasing Agent before being mailed to the supplier of the drugs. The Hospital therefore is not required to pay sales tax for its drug purchases.

(d) The original of the purchase order is mailed to the supplier. A copy of the order is sent to the Receiving Department. The second copy is retained in the Purchasing Department.



(e) Orders for drugs, depending on the quantity involved, are sent to the hospital from the suppliers usually by railway express, truck transport or mail. The hospital is generally required to pay for the transportation upon receipt of the order. Such charges thus become part of the cost of the drugs.

(f) Drug orders arrive at the hospital's receiving department. The receiving department unpack the orders and check the items against the duplicate copy of the Purchase Order. Any shortages, damaged or incorrect items are noted and the information passed to the Purchasing Agent for necessary action.

(g) Receiving Department takes the items to the Hospital Pharmacy.

(h) The Chief Pharmacist checks the items against the copy of the Purchase Requisition. Any shortages or incorrect items are noted.

(i) The items are placed in stock. If the order is for large quantities of each item, sufficient quantity for daily use is retained in the Pharmacy and the remainder placed in the Storage Area on the floor below.

(j) Invoices sent to the hospital from the supplier are passed to the Purchasing Agent who checks them against his Purchase Order copy and certifies that the invoice is correct or





(e) Orders for drugs, depending on the quantity involved, are sent to the hospital from the suppliers usually by railway express, truck transport or mail. The hospital is generally required to pay for the transportation upon receipt of the order. Such charges thus become part of the cost of the

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(i) Invoices sent to the hospital from the supplier are passed to the Purchasing Agent who checks them against his Purchase Order copy and certifies that the invoice is correct or



incorrect as the case may be.

### I.3. Narcotic Purchases

The procedure for purchasing narcotics is, in the main, similar to the procedure outlined before but with a few exceptions as follows:

(a) The Chief Pharmacist when originating a Purchase Requisition for a narcotic order, also completes a "Narcotic Order Form" printed by the hospital. This form bearing the Chief Pharmacist's signature, must in addition to the Purchase Order, accompany all purchase orders sent to any supplier of narcotics. Without this signed Narcotic order form, no order will be filled by a supplier.

The Narcotic Order bears the date of origination, the supplier's name, the quantity and name of the narcotics together with the pharmacist's signature.

This is required by the Opium and Narcotic Act 1954, and authorizes the supplier to send narcotics to the purchaser. The supplier must keep a record of all narcotics supplied and to whom they are sent.

(b) The Chief Pharmacist, upon receipt of the narcotics, checks the quantities against the copy of the purchase requisition. Upon determining the quantities to be correct, the purchases are entered in the back of the Narcotic



incorrect as the case may be.

The procedure for purchasing narcotics is, in the main, similar to the procedure outlined before but with a few exceptions as follows:

(a) The Chief Pharmacist when originating a Purchase Requisition for a narcotic order, also completes a "Narcotic Order Form" printed by the hospital. This form bearing the Chief Pharmacist's signature, must in addition to the purchase order, accompany all purchase orders sent to any

the order form, no order will be filled by a

The Narcotic Order bears the name of originator, the supplier's name, the quantity and name of the narcotic together with the pharmacist's

This is required by the Opium and Narcotic Act 1954, and unless the supplier is send narcotics to the purchaser. The supplier must keep a record of all narcotics supplied and to whom they are sent.

(b) The Chief Pharmacist, upon receipt of the narcotic, checks the quantities against the copy of the purchase requisition. Upon determining the quantities to be correct, the purchase order is entered in the back of the Narcotic





Record supplied by the Ontario College of Pharmacy. The record of the purchases also notes date of receipt, name and quantity of the narcotics received, name and address of supplier and the entry is signed by a registered graduate pharmacist.

Such records are required by virtue of the Opium and Narcotics Act, 1954.

#### I.4. Local Purchases from Retail Pharmacist

Purchasing from local retail pharmacies is kept to a minimum and involves an average cost of \$21.00 - \$28.00 each month.

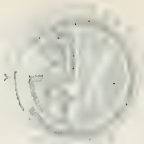
Total yearly purchases from a local retail pharmacy were:

1959 - \$250.82 for a monthly  
average of \$20.90

1960 - \$330.73 for a monthly  
average of \$27.73

Such purchasing is only undertaken because an item may be temporarily out of stock or because it may be a new item being introduced to the market.

Purchases from local retail sources involve the same procedure as outlined above excepting that the Chief Pharmacist usually places the order with the retail pharmacy by telephone. The order is then written by the Chief Pharmacist on a Purchase Requisition and marked "Confirmation only" so the order will not be duplicated by the purchasing agent.



Record supplied by the Ontario College of Pharmacy.

The record of the purchases also notes date of

receipt, name and quantity of the narcotics

received, name and address of supplier and the entry

is signed by a registered graduate pharmacist.

Such records are required by virtue

of the Opium and Narcotics Act, 1954.

#### I.4. Local Purchases from Retail Pharmacies

Purchasing from local retail pharma-

cies is kept to a minimum and involves an average

cost of \$21.00 - \$28.00 each month.

Total yearly purchases from local

1959 - \$250.80 for a monthly  
average of \$20.90

1960 - \$234.73 for a monthly  
average of \$19.56

Such purchasing is only undertaken

because an item may be temporarily out of stock

or because it may be a new item being introduced

to the market.

Purchases from local retail sources

involve the same procedure as outlined above except

that the Chief Pharmacist usually places the

order with the retail pharmacy by telephone. The

order is then written by the Chief Pharmacist on a

commonly used form and sent to the pharmacy.

so the order will not be duplicated by the purcha-

ser.



Since such purchases are few during the course of a month, the Purchasing Agent maintains a single "open" purchase order and records the items as they occur from the Purchase Requisition. At the end of the month, the Purchase Order is closed. Such a procedure obviates the necessity of originating several purchase orders for small items in the course of a month.





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Such a procedure obviates the necessity of originating several purchase orders for small items in the course of a month.



B/BL/hm

The retail pharmacies give the hospital a 25% discount on drugs used to fill patient's prescriptions.

The retail pharmacy from which purchases are made is never charged.

#### I.5 Drugs purchased in Quantity

Drugs which are used frequently in relatively large amounts, are purchased in larger quantities to take advantage of extra discounts given by suppliers on quantity purchases. In addition, the landed costs of drugs are reduced somewhat due to transportation costs being spread over a greater quantity.

Since adequate storage space is available, quantity purchases are possible. Because the hospital is not located near the ready source of supply that those in Toronto or larger centres enjoy, additional storage space is an advantage when considering large quantity purchases.

Drug Discounts - from most direct suppliers (who are also the manufacturers) are usually the list price less 40%, less the Sales Tax. A few suppliers charge list price less 50%. In this latter instance no Sales Tax is charged and would result in approximately the same charge.

Additional discounts are given by most suppliers when certain large quantities of single items or a combination of items are purchased.



single items or a combination of items are purchased. most suppliers when certain large quantities of additional discounts are given by would result in approximately the same charge. this latter instance no sales tax is charged and a few suppliers charge list price less 5%. In usually the list price less 40%, less the sales tax. suppliers (who are also the manufacturers) are Drug Discounts - from most direct considering large quantity purchases. enjoy, additional storage space is an advantage when of supply that those in Toronto or larger centres the hospital is not located near the ready source available, quantity purchases are possible. Because since adequate storage space is over a greater quantity. somewhat due to transportation costs being spread addition, the landed costs of drugs are reduced given by suppliers on quantity purchases. In quantities to take advantage of extra discounts relatively large amounts, are purchased in larger Drugs which are used frequently in are made is never charged. The retail pharmacy from which purchases prescriptions. a 2% discount on drugs used to fill patients' The retail pharmacies give the hospital





The discounts given vary with each supplier and are not listed for this reason. Such additional discounts serve to reduce somewhat the cost of patient medication.

#### I.6 Drugs manufactured in the Hospital Pharmacy

For reasons of economy, expediency, and because a certain formula is required by physicians, some pharmaceutical products are manufactured in the hospital pharmacy.

In this hospital, approximately twenty items are produced that are in frequent use. Such items include back lotion (used in large quantity for patient back rubs), hand lotion, ointments of various kinds, a few cough syrups and solutions.

Very little of the pharmacists' time is devoted to actual manufacture.

Because such manufacturing can be very time consuming, the hospital pharmacy has found it to be more economical to purchase most items. This would not be true in some larger hospitals that are equipped to carry on a certain routine of manufacturing.

It should be noted that intravenous solutions are not prepared in this hospital. Such a procedure required a special air-conditioned dust-free room, expensive equipment initially, together with rigid laboratory testing and controls. One



The discounts given vary with each supplier and are not listed for this reason. Such additional discounts serve to reduce somewhat the cost of patient medication.

#### I.6 Drugs manufactured in the Hospital

##### Pharmacy

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mistake in preparation could mean a life. The hospital therefore purchases intravenous solutions from a reputable manufacturer who is equipped to do rigid tests and declare the resulting products absolutely safe for intravenous administration.

2. Gross Purchases of Drugs for 1958, 1959, 1960.

In order to give a better understanding of the cost of supplying drugs for patient care, it was felt that a section devoted to gross purchases, cost of operating the department, number of personnel on the pharmacy staff together with the cost of drugs per patient day would be helpful.

1958 - Gross Purchases of drugs	
totalled	\$74,045.00
(including Sales Tax) -----	68,045.00
Estimated Sales Tax	<u>6,000.00</u>

1959 - Gross Purchases of drugs	
totalled	72,448.00*
1960 - Gross Purchases of drugs	
totalled	91,210.00*

\*This total figure is before any rebates or discounts are subtracted and does not include Sales Tax.

NOTE: The cost of Oxygen and Intravenous Solutions is included in the cost of drugs for the three years.

2.I Pharmacy Inventories

1958 -	\$22,233.00
1959 -	\$24,507.00
1960 -	\$28,496.00





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2. Gross Purchases of Drugs for 1958, 1959, 1960.

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1958 - Gross Purchases of drugs

6,000.00

Estimated Sales Tax

1959 - Gross Purchases of drugs

75,448.00\*

bottled

1960 - Gross Purchases of drugs

\*This total figure is before any rebate or

discounts are subtracted and does not

include sales tax.

NOTE: The cost of Oxygen and Intravenous Solutions

is included in the cost of drugs for the three

years.

Pharmacy Inventories

2.1

1958 - \$22,223.00

1959 - \$24,507.00

1960 - \$28,435.00



2.2 Turnover of stock

From the above figures the turnover of pharmacy stock each year would be:

1958 -  $3\frac{1}{2}$  times

1959 - 3 times

1960 -  $3\frac{1}{4}$  times

2.3 Cost of Drugs per Patient Day.

1959 - Total Cost of Drugs \$69,773.00  
Actual Patient Days  
(adult & Children) 75,079  
Cost of drugs per  
patient day - .93¢

1960 - Total cost of Drugs \$82,266.00  
Actual Patient days  
(adult & children) 75,295  
Cost of drugs per  
patient day - \$1.09

2.4 Prescriptions filled.

The number of prescriptions filled for patients' medications, excluding Ward Stock, is as follows:

1959 - Number of prescriptions  
filled 39,000

1960 - Number of prescriptions  
filled 44,460

These figures do not include prescriptions filled for employees.

2.5 Cost of Operating the Pharmacy Department for 1960.

\*Indirect Expenses - 1960

Administration	\$1,335.27
Laundry	15.00
Housekeeping	1,052.64



2.2

Turnover of stock

From the above figures the turnover of

1958 -  $3\frac{1}{2}$  times

1959 - 3 times

1960 -  $3\frac{1}{4}$  times

Cost of Drugs per Patient Day

1959 - Total cost of Drugs \$69,743.00  
Actual Patient Days

Cost of drugs per  
patient day - .93¢

1960 - Total cost of Drugs \$82,266.00

(adult & children)  
Cost of drugs per  
patient day - \$1.02

The number of prescriptions filled

for patients' medications, excluding Ward Stock,

is as follows:

1959 - Number of prescriptions

1960 - Number of prescriptions  
filled 44,460

These figures do not include prescriptions filled

for employees.

Cost of Operating the Pharmacy  
Department for 1960





Physical Plant (heat, light water, etc.)	\$1,431.00
Depreciation on Equipment	110.00
Depreciation on Building	762.36
	<u>\$4,706.27**</u>

\*Based on quare footage.

Direct Expenses - 1960

Salaries	\$15,360.00
Supplies (labels, bottles, etc.)	500.00
Expenses	<u>175.00</u>
	<u>\$16,035.00**</u>
Total	\$20,741.27,

for the cost of operating the Department.

2.6 Pharmacy Staff.

The hospital employs a staff of four  
to operate the pharmacy the staff is listed as follows:

1. Chief Pharmacist - employed in hospital since  
Sept. 20, 1949.  
O.C.P. Graduate 1934.  
dispenser in Oshawa Clinic  
from Sept. 1934 - to  
Setpember 1949.  
Present Salary \$6,000.00 per year.

2. Assistant Pharmacist - O.C.P. graduate - 1947  
Experience as hospital pharmacist

Hospital Pharmacist (Sault Ste Marie) 1945-56  
Retail Pharmacist (Ottawa) 1956-59  
Dispenser (Clinic) (Ottawa) 1959-60  
Employed in civic hospital since  
Sept. 19, 1960.  
Present Salary \$5,400.00 per year.

3. Pharmacy Helper -

Education - Jr. Matriculation Grade 12.  
Typing and Bookkeeping.

Experience - has worked as pharmacy  
helper since leaving school  
in June 1959.

Salary - Commenced at \$41.00 per week  
1959 Present Salary - \$47.00  
per week.





4. Pharmacy Helper -

Education - Grade 10.  
Experience - Has worked as pharmacy helper since October 1960.  
worked as bookkeeper for 2 years before coming to hospital  
Salary - commenced at \$41.00 per week  
present salary \$45.00 per week.

2.7 Analysis of Some Frequently purchased Drugs - See Addendum.

3. "Generic" vs "Trade Name" Drugs.

In evaluating the desirability of purchasing generic drugs for reasons of economy, it may be well to first consider what is meant by the term "generic" as opposed to "trade name".

"Generic" drugs are usually thought of as those that bear no registered manufacturers trade name but, as the name implies, are drugs whose names are derived from their chemical groups or structures. (This implication is that if a drug is purchased by "generic" name, the cost of registering the trade name, research, advertising, clinical assessment, and detail men's salaries does not enter into the cost of the drug. This is only partly true. The drug had to be originally developed by some firm through research and clinical assessment.

Trade name drugs are those whose names are arbitrarily coined by the manufacturing drug company to designate its products. Such names may or may not bear any resemblance to the chemical name of the product. Trade names are usually registered and cannot





Pharmacy Helper -

Education - Grade 10.  
Experience - Has worked as pharmacy helper since October 1955.  
Salary - worked as bookkeeper for 2 years before coming to hospital commenced at \$41.00 per week present salary \$42.00 per week.

2.7

Analysis of some frequently purchased drugs - See Appendix.

3.

"Generic" vs "Trade Name" Drugs.

In evaluating the desirability of purchasing generic drugs for reasons of economy, it may be well to first consider what is meant by the term "generic" as opposed to "trade name".

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Trade name drugs are those whose names are arbitrarily coined by the manufacturing drug company to designate its products. Such names may or may not bear any resemblance to the chemical name of the product. This name is usually registered and appears



be used by any other manufacturer. Conversely generic names can be used by any manufacturer producing the chemical and no infringement on a registered name is encountered. Generic names therefore serve only to give a uniform standardization of drug names rather than a multiplicity of trade names for the same chemical product.

Regardless of definitions, the popular understanding to-day of the term "generic" often appears to imply the purchase of non-branded drug products from supposedly non-ethical supply houses at dramatic savings.

### 3.I Considerations relative to "generic" and "trade name" drugs.

(a) Quality control. Ethical manufacturers assume the responsibility for such control. For non-ethical supply houses, additional expenditures necessary to assure adequate quality control would add to the cost of generic drugs and reduce their attractiveness economically.

Quality standards set by drug manufacturers are high by nature of the competition found in the pharmaceutical industry.

(b) The willingness of the major drug manufacturers to stand behind their products. Drugs which have passed their expiry period are usually replaced free of charge with a fresh product.

This does not infer that generic drugs should not be purchased. Generic products should







be purchased, where feasible, but only from recognized pharmaceutical manufacturers who employ routine quality control in marketing their products.

The Peterborough Civic Hospital purchases a few drug items by their generic names. Such items include:

Secobarbital (Trade name "Seconal")

Phenylbutazone B.D.H. (Trade name  
"Butazolidin")

Prednisone B.D.H. (Trade name "Cortisone")

Ascorbic Acid Tablets (Trade name  
"Cevalin" -Vitamin C)

Epinephrine Solution (Trade name  
"Adrenalin")

Such purchases of generic drugs would amount to approximately a total of \$2,500.00 each year.

While the hospital pharmacist purchases most of the drugs by trade name, it is generally the chemical name which influences the purchases together with the best price from a reputable supplier. In effect, the purchases are "generic" in influence.

### 3.2 The Pharmacy Committee.

With the advent of the Ontario Hospital Services Commission plan, Pharmacy Committee's role became more apparent to guide the pharmacy department in its purchasing policy and to institute certain procedures that had been recommended by the hospital accreditation report.

The Pharmacy Committee is composed of a physician from the Service of General Practice as



be purchased, where feasible, not only from recognized  
 pharmacologists, manufacturers and employ routine  
 quality control in selecting products.

a few drug items of their general interest, such items  
 include:

1. Generalized: "Generalized"

2. Specific: "Specific"

3. Acid: "Acid"

4. "Acid"

5. "Acid" of general interest  
 amount to approximately a total of \$2,500,000 per year  
 while the hospital purchases  
 most of the drugs by trade name, it is generally the  
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 with the best price from a reputable supplier. In  
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The Pharmacy Committee is composed of



Chairman, a physician from the Service of Anaesthesia, a physician from the Service of Medicine, the cheif Pharmacist as secretary of Committee, and the Assistant Superintendent who is an ex-pharmacist.

The Committee has accomplished the following:

(a) Instituted with the approval of the Medical Staff, automatic stop orders for drugs. Under this system, certain classifications of drugs are automatically discontinued after a certain period of time necessitating the physician re-ordering the drug if he wishes it continued. This procedure is only followed when directions for certain drugs are "open" viz there is no definite length of time states for the administration of a drug. For example, an order calling for chloromycetin to be given every six hours but not stating "for five days," would automatically be discontinued at the end of four days. If the physician wished the drug to be given for a total of five days, he would re-order the drug for one more day. Such procedure avoids the giving of drugs over longer periods than were intended by the physician and act as a reminder to the physician. Automatic stop orders guard the safety of the patient where drugs, given over an extended period of time, could be injurious.

For further information, the Automatic Stop Orders as approved by the Medical staff are outlined below.







B/dpw

The time limitations were set up by the Pharmacy Committee for the various classifications of drugs as follows:

After 48 hours

Narcotics

Anticoagulants

Ergot

After 96 hours

Antibiotics

Chemotherapeutic Agents

Narcotic analgesic combinations  
including

Cough Syrups

Barbiturates, tranquilizers  
and hypnotics

Corticosteroids

Butazolidin

(b) Instituted with the approval of the Medical Staff, the use of the Metric system of weights and measures in the hospital. Since most medical literature and the majority of manufacturers' drug labels now indicate the strength and dosage of a drug in both the Metric System and Apothecary's system, it was deemed advisable to use the Metric System. The Metric system of weights and measures is used internationally.

(c) With the approval of the Medical Staff, instituted a procedure whereby new antibiotics, being introduced to the market, are placed



The time limitations were set up by  
the Pharmacy Committee for the various classifica-  
tions of drugs as follows

After 48 hours

Anticoagulants

Antagonists

After 96 hours

Chemotherapeutic Agents

Neurotic and psychic conditions  
including

and psychics

Research

(b) In addition with the approval of  
the Medical Staff, the use of the Metric system of  
weights and measures in the hospital. Since most  
medical literature and the majority of manufacturers  
drug labels now indicate the strength and dosage of  
a drug in both the Metric System and Apothecary's  
system, it was deemed advisable to use the Metric  
System. The Metric system of weights and measures  
is used internationally.

(c) With the approval of the Medical  
Staff, instituted a procedure whereby new antihy-  
per being introduced to the market, are placed





on a restricted use list. The restricted uses of certain antibiotics precludes the possibility of certain bacterial organisms building up an immunity to the drug through routine or indiscriminate use as in the case of penicillin.

When other antibiotics fail to eliminate a bacteria, the physician may apply to the Pharmacy Committee for a release of an antibiotic on the restricted list. Such a procedure provides the physician with an additional medication that as a rule, gives immediate effective results. Antibiotics on the restricted list are therefore only used as a last resort.

(d) Formulary. The Pharmacy Committee have at the present time recommended to the Medical Staff the adoption of the formulary system. Under this system, drugs are ordered by the physician preferably by their generic name. They can be ordered by trade name. The drug supplied will be of identical chemical composition quality and strength and will fulfill the generic requirement. The drug supplied however, may not necessarily be one of the same trade name.

There are certain legal aspects of this system which must first be satisfied before such a system can be introduced. The main point is that written consent must be obtained from each individual doctor to authorize the hospital pharmacy



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There are certain legal aspects of this system which must first be satisfied before such a system can be introduced. The main point is that written consent must be obtained from each individual doctor to authorize the system.



to supply drugs identical to those requested but not necessarily bearing the same trade name.

The formulary system's main advantage is in endeavouring to avoid the stocking of duplicate items. Duplicate items while bearing many different trade names may be all generically (or chemically) similar. The formulary system should therefore provide a more economical provision of medications for patient use and influence the reduction of pharmacy inventories.

At the present time, the Medical Staff of this hospital are discussing the adoption of the formulary system. It is therefore not, as yet, in effect in this hospital.

#### 4. Quality Testing of Drugs Purchased

Due to lack of facilities, equipment, time, and technical skill required, this hospital does not undertake quality testing of drugs. From an economical standpoint it is impractical for all but the very largest hospitals to undertake such testing.

By experience, any pharmacist is aware that the controls for quality, strength and clinical effectiveness of a drug have all been undertaken by a reputable drug manufacturer before the drug is permitted to reach the market. In addition, the drug must meet the standards laid down by the Pure Food and Drug Act and be passed





to supply drugs identical to those requested but

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the drug is permitted to reach the market. In

addition, the drug must meet the standards laid

down by the Pure Food and Drug Act and be passed



by that Department before the drug may be marketed. The drug manufacturer is therefore relied on to control the quality of the drug.

Chemicals purchased in bulk for compounding prescriptions, may have the letters "B.P.", "U.S.P." or "N.F." after the chemical name. The letters refer to the published volumes of drug standards known as the British Pharmacopeia, the United States Pharmacopeia, and the National Formulary. These books are recognized authorities on chemical and drug standards. Thus, the use of such letters is forbidden unless the chemical or drug is identical to or surpasses the standards laid down by these authoritative works. The use of such letters on a drug label automatically obviates the need of testing for quality.

#### 5. Distribution of Drugs in Hospital

The distribution of drugs in this hospital entails consideration of the following:

- 5.1 Medications for patient use
- 5.2 Ward Stocks
- 5.3 Narcotics
- 5.4 Out patient Medications

#### 5.1 Medications for patient use

The following procedure is in effect in this hospital for supply in drugs for use by individual patients:

- (a) The physician writes an order



by that Department before the drug may be marketed.  
The drug manufacturer is therefore relied on to  
control the quality of the drug.

Chemicals purchased in bulk for  
compounding prescriptions may have one letter  
"B.P.", "U.S.P.", or "N.F." after the chemical name.  
The letters refer to the published volumes of drug  
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## 5. Distribution of Drugs in Hospital

The distribution of drugs in this  
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5.1 Medications for patient use

5.2 Ward stocks

5.4 Out patient Medications

5.1 Medications for patient use

The following procedure is in effect  
in this hospital for supply in drugs for use by

(a) The physician writes an order





for a drug directly on the patient's chart together with directions for giving the drug. Each order for a drug must be signed by the physician.

(b) A nurse copies the name and strength of the drug onto a pharmacy requisition form, ordering only a three day's supply. The name and room number of the patient appears opposite the drug. The requisition may bear a list of medications for as many as 15 patients.

The nurse making out the requisition, signs it upon completion.

(c) The requisitions are sent each morning along with the pharmacy box for Ward Stock to the pharmacy. During the day, as medications are ordered for patients, the resulting drug requisitions are sent at once to the Pharmacy Via a pneumatic tube system.

(d) Upon receipt of the Pharmacy requisition, only certified pharmacists dispense the required drug. In labelling the drug container the name and room number of the patient appears together with the actual name of the drug and its strength. No directions are included on the label. Such directions are the responsibility of the medication nurse and are obtained from the doctor's written order on the patient's chart.

(e) When the medication has been dispensed, the Pharmacy Requisition is checked and



for a drug directly on the patient's chart, together with directions for administration, such as order for a drug must be signed by the physician.

(d) Nurse copies the name and

strength of the drug into the pharmacy register, listing, ordering only a three day supply. The name and room number of the patient appears opposite the drug. The register may have a list of patients from for as many as 15 patients. The nurse enters on the register, signs it upon completion.

(e) The registration is sent each

morning along with the pharmacy for the drug stock to the pharmacy. During the day, as medications are ordered for patients, the register drug order errors are sent at once to the pharmacy via a

(f) Upon receipt of the pharmacy

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(g) When the medication has been

dispensed, the Pharmacy Registration is checked and



signed by the pharmacist who dispensed the medication. The completed requisition is priced, at cost, by a pharmacy helper and sent to the Business Office.

(f) Such patient medications are not numbered as is the case with prescriptions in a retail pharmacy.

(g) Pharmacy requisitions are retained for six months and then destroyed.

(h) Patient medications, so ordered in the morning, are returned to the nursing floor via the ward pharmacy box. At other times of the day, small packages may be sent to the nursing floor via the pneumatic tube, if feasible. Breakable items are picked up at the Pharmacy by a ward clerk, orderly, or a nurse.

## 5.2 Ward Stocks

Ward stock drugs are certain supplies maintained on each ward as routine stock. They include such items as aspirin tablets, milk of magnesia, Lysol solution, etc. Ward stock items are those that are usually inexpensive and used in considerable quantity.

In this hospital, each ward has a pre-printed Ward Stock list noting the quantities in which the stock is supplied. Opposite the list are calendar date columns sufficient for one month.

(a) Beneath the applicable date and





signed by the pharmacist who dispensed the medication.

The completed registration is placed, as usual, by a

pharmacy helper and sent to the Business Office.

(C) Each patient's medication and all

medication is in the case with prescriptions in a

retail pharmacy.

(2) Pharmacy registration and medication

for six months and then destroyed.

(A) Retail medications, as ordered

in the morning, are returned to the morning clinic

via the ward pharmacy box. At other times of the

day, small packages may be sent to the morning clinic

via the pharmacy box, in the evening, Pharmacy

items are picked up at the pharmacy or a room clerk.

Ordering, on a regular

5.2 Ward Orders

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In this hospital, each ward has a

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the calendar date column is sufficient for one

month.

(4) Ward stock and supplies



opposite the name of the Ward stock item, the required number of units of an item is noted.

(b) Each morning, the Ward Stock Book, appropriately marked, is sent to the Pharmacy in the Ward pharmacy box together with the empty containers for refilling. Discontinued patient medications are also returned at this time.

(c) The items noted in the Ward Stock Book under the date column are returned to the nursing ward via the ward pharmacy box.

(d) At the end of each month, the sheets are removed from the Ward Stock Book, priced at cost, and sent to the Business Office.

(e) The cost of Ward Stock is charged to the applicable nursing ward to obtain a truer picture of costs entailed on each Nursing Ward.

Note: Ward Stock liquids range in quantity from four ounces to one gallon, depending on the amount normally used.

Ward Stock tablets are usually dispensed in twenty-fives or fifties.

#### Discontinued Patient Medications

(a) Patient Medications discontinued because of discharge, death, or change in medication are listed on a credit sheet on the Nursing Ward. The Credit Sheet indicates the name and room number of the patient together with the name and quantity



opposite the name of the Ward Stock Item, the  
required number of units of an item is noted.  
(b) Each morning, the Ward Stock  
Book, suitably covered, is sent to the Pharmacy  
in the Ward Pharmacy box together with the supply  
containers for refilling. Discontinued patient  
medications are also returned at this time.

(c) The items noted in the Ward Stock  
Book under the date column are returned to the  
nursing ward via the ward pharmacy box.

(d) At the end of each month, the  
sheets are removed from the Ward Stock Book, placed  
at cost, and sent to the Business Office.

(e) The rest of Ward Stock is  
charged to the appropriate operating ward to obtain a  
true picture of costs entered on each nursing

Note: Ward Stock figures vary in quantity from  
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UNIT-1000-11-1000

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The Credit Sheet indicates the name and room number  
of the patient together with the name and quantity





of drug being returned.

(b) The Credit Sheet together with the discontinued drugs are returned to the Pharmacy.

(c) The Credit Sheet is priced at cost and subtracted from the Ward charge to give a truer cost picture of supplying medications to the Nursing Ward.

(d) Unused quantities of tablets and capsules are returned to stock for future use. Since medications are handled aseptically by the nursing staff and not by patients, there is no fear of cross infection or contamination.

(e) Unused portions of ointments, eye drops, nose drops and ear preparations for topical use are discarded to eliminate any possibility of cross infection.

The cost of such discarded drugs is approximately eight dollars a month.

### 5.3 Narcotics

Narcotics must be very carefully guarded and therefore require considerably more control. The procedure in effect in this hospital is as follows:

(a) Narcotics either in ampoule form or tablet are issued in quantities of twenty-five.

(b) Narcotics are issued to each Nursing Ward as stock, that is, not on individual



of drug being returned.

(d) The Credit Sheet together with

the discontinued drugs are returned to the Pharmacy.

(e) The Credit Sheet is priced at

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(b) Narcotics are issued to each

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prescription unless a considerable quantity is to be used for a single patient.

(c) A separate narcotic sheet accompanies each narcotic item to the Nursing Ward. Narcotics are picked up only by graduate nurses and signed for at the time of receipt.

MR. FULLERTON: Excuse me, that \$8.00 a month, is that per patient?

MR. MACKAY: That is in toto, sir.

MR. FULLERTON: In toto.

MR. MACKAY: (d) In order to replenish a narcotic item, the narcotic sheet together with the empty container is returned to the Pharmacy. The Narcotic Sheet lists the names of patients receiving the narcotic, how much they received and is signed by the nurse giving the medication to the patient. Thus, every tablet and ampoule must be accounted for.

(e) When the pharmacy issues a new supply of a narcotic to a nursing ward, a new Narcotic Sheet is made out noting the name of the Nursing Ward, the name of the narcotic and the quantity issued. The pharmacist issuing the narcotic signs the sheet. Also noted on the sheet is the number of the completed narcotic sheet that the new one is replacing. This enables a continuity check to be accomplished.

(f) When the graduate nurse picks





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(f) When the graduate nurse picks



up a narcotic from the Pharmacy she must sign off the completed narcotic sheet and sign the new narcotic sheet after first ensuring the quantity of narcotic she is receiving is correct.

(g) Upon returning to the floor, narcotics are kept in a locked cupboard.

(h) Completed narcotic sheets are filed in the pharmacy. In addition, a perpetual inventory sheet is kept by the Chief Pharmacist on every narcotic item. Thus, when a quantity of narcotic is issued, the quantity is noted on the applicable narcotic sheet. At all times the quantity balance of the narcotic remaining on the perpetual inventory sheet must agree with the actual quantity on hand. The stock is therefore checked three times weekly by the Chief Pharmacist to ensure such is the case.

(i) In the Pharmacy, stocks of Narcotics are kept in a locked safe.

(j) On the Nursing Ward, whenever the nursing shift changes, the nurse coming on duty must count the narcotic tablets and ampoules in the presence of the nurse going off duty to ensure the correct quantity of narcotics is present. The nurse coming on duty then signs for the narcotics and the responsibility for their care is transferred to her.



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### Wasted or Contaminated Narcotics

When a narcotic ampoule is broken or spilled on the ward or a tablet is contaminated, the person responsible for the misfortune must sign a narcotic wastage slip giving the date, the name of the narcotic, the exact quantity spoiled, and sign the slip. She must then have the slip co-signed by the nurse in charge of the ward and send the slip to the Nursing Office for their action and discipline.

The Narcotic Slip is passed to the Superintendent for his information. He initials the slip which is passed to the Chief Pharmacist who retains all slips in the locked safe until seen by a Federal Narcotic inspector and permission given for their disposal.

In this manner, every narcotic tablet and ampoule is accounted for.

### 5.4 Out Patient Medications

The hospital has no organized Out-patient Department.

Any person coming to the hospital for treatment does not receive any medications from the pharmacy to take home.

The attending physician in this instance writes a prescription and instructs the patient to have it filled at the retail pharmacy of his or her choice.



## Waste or Contaminated Narcotics

When a narcotic ampoule is broken or applied on the ward or a tablet is contaminated, the person responsible for the occurrence must sign a narcotic waste slip giving the date, the name of the narcotic, the exact quantity spilled, and sign the slip. She must then have the slip co-signed by the nurse in charge of the ward and send the slip to the Nursing Office for their action and discipline.

The Narcotic Slip is passed to the Superintendent for his information. He initials the slip which is passed to the Chief Pharmacist who retains all slips in the locked safe until seen by a Federal Narcotic Inspector and permission given for disposal. In this manner, every narcotic tablet and ampoule is accounted for.

Policy on Narcotic Tablets

The hospital has no organized out-

patient department. Any person coming to the hospital for treatment does not receive any medications from the pharmacy to take home.

The attending physician in this instance writes a prescription and instructs the patient to have it filled at the retail pharmacy of his or her choice.



6. Accounting - Charges to Public and Patients by  
the Hospital for drugs

Since the advent of the Ontario Hospital Services Commission, necessary medications for inpatients are no longer charged to individual patient accounts. The daily rates approved by the Commission is an all-inclusive rate that includes necessary drugs for the treatment of the patient.

In order to produce a comprehensive picture of the cost of supplying drugs to the various nursing wards, all requisitions for patient drugs, ward stock sheets, and narcotics are costed and charged against the Nursing Wards and departments concerned.

6.1 Procedure re Inpatients' Drugs

(a) All requisitions for inpatients' drugs are priced at cost, each day, by a pharmacy helper and sent to the Business Office.

(b) The Business Office notes the total costs from the various drug requisitions and enters them against the applicable nursing ward or department on a spread sheet.

(c) Each month a total is taken of the breakdown to each Nursing Ward and department to give a true cost picture of supplying drugs for the month.

(d) Each month all the sheets from each Nursing Floor's Ward Stock book are priced





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- (c) Each month a total is taken of the breakdown to each Nursing Ward and department to give a true cost picture.
- (d) Each month all the sheets from each Nursing Floor's Ward Stock book are priced



at cost and charged to the applicable nursing ward and department.

(e) A yearly total of all charges recorded against every Nursing Ward and Department produces a total cost of supplying drugs for patient use for the year. This figure divided by the total patient days (adult and children) for the year results in a cost per patient day of supplying drugs.

#### 6.2 Outpatient Charges for Drugs

The hospital has no established outpatient department. Therefore no outpatient drug charges result except in a very few cases that are not covered by the Ontario Hospital Services Commission where the injury treated was not the result of an accident.

In such rare instances the outpatient is charged the hospital's cost of the drug plus 10% since no Sales Tax is paid on the drug by the hospital. All such transactions are on a cash basis.

No drugs are dispensed for an outpatient to take home.



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### 6.3 Drugs for Employees.

It is the hospital's policy to supply drugs on prescription only to its employees at cost plus 10%.

Only bona fide prescriptions written by a recognized physician are filled for employees and their immediate family (ie) a married nurse is allowed to obtain drugs for her son, daughter or husband. No other relatives are eligible. This is a fringe benefit extended by the hospital to its employees.

Requests by employees for such non-prescription items as aspirin, ferrons sulphate tablets, milk of magnesia etc. are refused. Only drug items on prescription will be supplied by the hospital pharmacy.

### 6.4 Drugs for Nursing Students.

Nursing students are supplied drugs on a courtesy basis on prescription only. While a charge of cost plus 10% is made for drugs for a student nurse, the charge is written off at month's end as an allowable cost by the Commission against the School of Nursing.

### 7. Physicians' Responsibility for Ordering of Drugs

Drugs for inpatient use can only be supplied by law on the written order of the physician. This places any responsibility for medical management of the patient on the physician.



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The physician's signature authorizes the pharmacist to supply the drug requested and further authorizes the nurse to administer the drug in the dosage written by the physician.

Telephone Orders for patient drugs to the Nursing Floor must be given by the physician himself to a graduate nurse who takes down physician's order for drug and its dosage verbatim. The nurse then indicates the order was telephoned and initials it. On his next visit to hospital, it is the responsibility of the physician to sign (thus confirming the correctness) the telephoned order.

Therefore, it is only the physician who can be responsible for ordering necessary drugs for the care of his patient. He accepts full responsibility for all drugs required in the care of his patient.

#### 8. Physicians' Awareness of cost of drugs prescribed.

It can be truly said that 90% of prescriptions written by physicians at the present time are for Trade Name Specialties produced by a drug manufacturer. Prescriptions that require compounding are becoming the exception rather than the rule. Only twenty short years ago this picture was the reverse. With the general public demanding faster service and convenience, drug products conveniently prepared and packaged, quickly gained predominance in the pharmacy.





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At the present time with an average of five new drug products being introduced on the market each day (1825 a year) it becomes an impossibility for the physician to remember the price of every drug he prescribes. Sheer numbers of products precludes his doing so.

When a new product is being introduced to the physician by a drug detail man, it is usual to gloss over this question. Since cure of the patients' illness is uppermost in the physicians mind, results obtained from a drug are his primary consideration. Price may be secondary as long as the anticipated results are obtained.

While the physician may know the prices of a few individual items, he seldom realizes the total cost of supplying drugs to patients in hospital. Since the patient is no longer billed for drugs and does not require to discuss the price of his drugs supplied in hospital with his physician, the cost of drugs in hospital would now appear to be even less of a consideration by the physician. Results are the paramount consideration.

#### 9. Storage, Obsolescence and Wastage of Drugs.

9.I Storage - Supplementary storage of surplus drugs, not presently required in the hospital pharmacy, is located on the floor beneath the pharmacy. The storage area, 15 ft. x 38 ft. (570 square feet) is kept at an ideal storage temperature of 72° - 75°



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to prolong shelf life of drugs and reduce obsolescence. Temperature control is maintained with a window air-conditioning unit.

The store room is kept locked at all times and is accessible only to members of the pharmacy staff. During the evening and night hours, the night nursing supervisor retains a key to the pharmacy and stores in the event of an emergency. The hospital pharmacist is also on call in the event of an emergency during the evening and night hours.

The storage room is supplied with an adequate number of storage shelves. Such ample storage enables the Chief Pharmacist, when making drug purchases, to take advantage of reduction in price through large quantity purchases of drugs in constant use.

Pharmacy storage. In the hospital pharmacy proper all biologicals, insulins, and other perishable drugs are kept in a 12 cubic foot refrigerator.

Narcotics are stored in a locked safe in the pharmacy. The combination is known only by the two hospital pharmacists who are responsible for the stock.

The pharmacy is well ventilated and will have a window air-conditioning unit installed this year. Drugs will not be subjected to the accelerated obsolescence with summer temperatures.

The pharmacy is locked when the staff are



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not present. During evening and night hours only the night Supervisor has access to the pharmacy to obtain drugs required for patients.

### 9.2 Obsolescence.

Most injectable drugs bear an expiry date when the drug becomes obsolescent or unfit for use. In addition, tablets, capsules, or pills that have been in stock for a considerable length of time, may become altered as to colour, odour, and effectiveness.

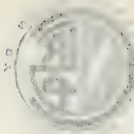
It has been the experience of this hospital that when any drug has become obsolescent, because the expiry date has been passed or the drugs characteristics have altered, the drug is replaced without question or charge by the manufacturer. The hospital has never suffered any expense due to loss of drugs by obsolescence.

### 9.3 Wastage.

Drug wastage in the pharmacy of this hospital is practically nil. Any wastage that does occur is intentional to prevent cross infection.

As was previously indicated, all unused portions of eye drops, eye ointments, nose drops, or ear drops and ointments returned from a patient floor are destroyed at once. This is to prevent cross infection, since the media provided in such drops or ointments is an ideal incubation material for germs introduced into the drug by contact.





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The cost involved in discarding such drugs amounts to approximately \$100.00 per year.

Some wastage is experienced through accidental breakage of containers or spilling of drugs. The cost of such accidental wastage has never been accurately assessed and has been considered negligible.

10. Relationship of Drug Detail Men to Physicians and Hospitals.

New drug products are introduced to the market through detailmen or salesmen employed by the drug manufacturer. It is the job of the salesman to create a demand for the new product through prescriptions written by the physician. The detailman therefore concentrates his initial efforts on the physician followed by contacts with the retail and hospital pharmacies.

The Peterborough Civic Hospital enforces a rigid policy concerning detailmen. They are not allowed to contact physicians in the hospital, including the doctors' lounge and library. Some hospitals permit the detailman to erect temporary displays in the doctors' lounge. Such displays are not permitted in this hospital.

Detailmen are not allowed to contact nursing personnel on the patient floors nor in any of the departments such as Emergency, the Operating Room or the Central Supply Room.



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Detailmen deal exclusively with the Chief Pharmacist and the Purchasing Agent. The detailman leaves any information (pamphlets, brochures etc.) and samples with the Chief Pharmacist. If the product has already been requested by members of the Medical Staff, the Chief Pharmacist will give the detailman a Purchase Requisition to obtain a supply of the new drug. The detailman takes the Purchase Requisition to the purchasing Agent and obtains a Purchase Order signed by the Purchasing Agent. This he sends to his parent company. The supplies are sent to the hospital within a few days.

Thus, in this hospital, drug detailmen contact only the Chief Pharmacist and the Purchasing Agent.

11. Group Purchasing.

No group purchasing plan exists in this area and therefore no comments have been included on this subject.



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Mackay

Detailmen deal exclusively with the

Chief Pharmacist and the Purchasing Agent. The detailman leaves any information (pamphlets, brochures etc.) and samples with the Chief Pharmacist. If the product has already been requested by members of the Medical Staff, the Chief Pharmacist will give the detailman a purchase requisition to obtain a supply of the new drug. The detailman takes the purchase requisition to the purchasing Agent and obtains a purchase order signed by the purchasing Agent. This he sends to his parent company. The supplies are sent to the hospital within a few days.

Thus, in this hospital, drug detailmen contact only the Chief Pharmacist and the purchasing Agent.

#### II. Group Purchasing.

No group purchasing plan exists in this area and therefore no comments have been included on this subject.



ADDENDUM

ANTIBIOTICS:

Chloromycetin Capsules 250 mgm.:

Purchases:

1959 = 9,000 capsules - July 22, 1959 - December 29, 1959 - @ \$30.62 per 100 nets;  
1959 Total = \$2,755.80.

1960 = 13,500 capsules - January 1960 - December 31, 1960;  
1960 Total = \$3,275.20.

Notes:

Due to price reduction the price descended from \$30.62 per 100 at the beginning of the year to \$13.00 per 100 by the end of 1960.

1961 - Purchases to February, 1961 - Totalled = \$390.00

Notes:

1957 = 8,000 capsules @ \$33.66 per 100 = \$2,692.80

1958 = 7,500 capsules @ \$33.66 per 100 = \$2,524.50

Strep Discrysticin (Discrysticin):

Purchases:

1959 = January 2, 1959 - August 4, 1959 = 140 X 25 @ \$9.75 for 25 = \$1,365.00

Note:

1958 price \$10.73 for 25 reduced January 1, 1959

September 25 - December 29 = 60 X 25 @ \$8.75 for 25 = \$ 525.00

1959 Total = \$1,890.00

Price reduced September 1, 1959.

1960 - January 4, 1960 - May 4, 1960 = 60 X 25 @ \$8.75 for 25 = \$ 525.00

July 11, 1960 - December 1, 1960 = 60 X 25 @ \$8.25 for 25 = 495.00

1960 Total = \$1,020.00

Price reduced July 1, 1960.

Forticillin Aqueous (Penicillin Injectable):

Purchases:

1959 = January 1959 - December 1959 = 1,500 vials @ .27¢ each = \$405.00

1960 = January 1960 - December 1960 = 1,900 vials @ .25¢ each = \$475.00

Note:

1958 = 1,400 used = price .29¢ each net.

P. G. A. 500 Tablets (Oral Penicillin Tablets):

Purchases:

1959 = January 1959 - December 1959 = 6 X 100 tablets @ 100 @ \$12.75 per c. = \$12.75  
500 @ \$10.00 per c. = \$50.00

1959 Total = \$62.75

1960 = January 1960 - December 1960 = 30 X 100 @ \$8.20 per c. = \$246.00

10 X 100 @ \$5.50 per c. = \$ 55.00

1960 Total = \$301.00

Notes:

In 1957 only 4 X 100 tablets used @ \$14.00 net per c. = \$56.00

In 1958 only 4 X 100 tablets used @ \$15.40 net per c. = \$61.60





ADDENDUM

01152

Chloromycetin Capsules 250 mgm.  
Purchases:

1959 - 9,000 capsules - July 25, 1959 - December 22, 1959 - @ \$30.45 per 100 net  
1959 Total = \$2,735.80

1960 - 13,500 capsules - January 1960 - December 31, 1960  
1960 Total = \$2,525.50

Note:

Due to price reduction the price descended from \$30.45 per 100 at the beginning of the year to \$18.00 per 100 by the end of 1960.

1961 - Purchases to February, 1961 - Totalled = \$790.00

Note:

1957 - 8,000 capsules @ \$33.00 per 100 = \$2,640.00  
1958 - 12,500 capsules @ \$33.00 per 100 = \$4,125.00

From Dr. Warren (1957-1961)  
Purchases:

1959 - January 25, 1959 - August 14, 1959 - 140 X 25 @ \$4.75 for 25 = \$1,762.50

Note:

1959 price \$10.75 for 25 reduced January 1, 1960

1960 - January 1, 1960 - May 14, 1960 - 60 X 25 @ \$4.75 for 25 = \$285.00  
July 11, 1960 - December 1, 1960 - 60 X 25 @ \$8.25 for 25 = \$1,237.50  
1960 Total = \$1,522.50

Price reduced September 1, 1959.

Price reduced July 1, 1960.

Forticillin Ampoules (Penicillin Injectable)  
Purchases:

1959 - January 1959 - December 1959 - 1,500 vials @ .25¢ each = \$105.00

1960 - January 1960 - December 1960 - 1,900 vials @ .25¢ each = \$175.00

Note:

1958 - 1,100 used - price .25¢ each net.

P. G. A. 500 Tablets (Oral Forticillin Tablets)  
Purchases:

1959 - January 1959 - December 1959 - 6 X 100 tablets @ 100 @ \$12.75 per c. = \$765.00  
500 @ \$10.00 per c. = \$5,000.00  
1959 Total = \$5,765.00

1960 - January 1960 - December 1960 - 10 X 100 @ \$2.50 per c. = \$25.00  
1960 Total = \$25.00

Note:

In 1957 only 4 X 100 tablets used @ \$11.00 net per c. = \$44.00  
In 1958 only 4 X 100 tablets used @ \$12.10 net per c. = \$48.40



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### ADDENDUM

#### ANTIBIOTICS:

##### Tetrex Capsules 250 mgm. (Tetracycline):

1959 - January 1959 - December 1959 - 21 X 100 capsules @ \$30.60 net per 100	= \$642.60
1960 - January 1959 - December 1960 - 28 X 100 capsules 21 X 100 capsules @ \$30.60 per 100	= \$642.60
7 X 100 capsules @ \$23.27 per 100	= \$162.89
<u>1960 Total</u>	<u>\$805.49</u>

#### NARCOTICS:

##### Demerol HCl. Amps. 100 mgm.:

##### Purchases:

1960 - January 11, 1960 - December 28, 1960 - 19,000 ampoules @ \$15.86 per 100	= \$3,013.40
Rebate on purchases	= 595.97
Net Cost	= \$2,417.43
1959 - January, 1959 - December 1959 - 18,000 ampoules @ \$15.86 per 100	= \$2,862.54
Rebate	= \$434.10
	<u>\$2,428.44</u>
1961 - January 27, 1961 - March 4, 1961 - 5,000 ampoules @ \$15.86 per 100	= \$793.00

##### NOTE:

The usage remains fairly constant for each year.

1957 - 20,000 ampoules = \$3,201.40 gross (less rebate)

1958 - 18,000 ampoules = \$3,169.80 gross (less rebate)

##### Selective Depressants: (Largactil Tablets 25 mgm.):

1959 - January 1959 - December 1959 - 6,000 tablets @ \$40.00 net per 1,000	= \$240.00
1960 - January 1960 - December 1960 - 6,000 tablets @ \$40.00 net per 1,000	= \$240.00

##### NOTE:

1958 - 5,000 tablets used - Price \$44.00 net per 1,000 = \$22.00

##### Sparine Tablets 50 mgm.:

1959 - January 1959 - December 1959 - 7 X 500 tablets @ \$33.68 per 500	= \$235.76
1960 - January 1960 - December 1960 - 11 X 500 tablets - 7 X 500 @ \$33.68 per 500	\$235.76
4 X 500 @ \$32.50 per 500	\$130.00
Total	<u>\$365.76</u>

##### Vesprin Injectable Ampoules 1 c.c.

1959 - January 1959 - December 1959 - 127 X 5's @ \$3.27 net for 5	= \$415.29
1960 - January 1960 - December 1960 - 150 X 5's @ \$2.78 net for 5	= \$417.00



ANTIBIOTICS

Tetrex Capsules 250 mgm. (Tetracycline)  
1959 - January 1960 - December 1959 = 21 X 100 capsules @ \$10.00  
net per 100

1960 - January 1959 - December 1960 = 28 X 100 capsules  
21 X 100 capsules @ \$10.00  
per 100  
7 X 100 capsules @ \$10.00  
per 100

NARCOTICS

General HCl Amps. 100 mgm.

1960 - January 1960 - December 1960 = 12,000 ampoules @  
\$15.00 per 100  
Rebate on purchases

1959 - January 1959 - December 1959 = 18,000 ampoules @ \$15.00  
per 100  
Rebate

1961 - January 27, 1961 - March 11, 1961 = 2,000 ampoules @ \$15.00  
per 100

NOTE:

The usage remains fairly constant for each year.

1957 - 20,000 ampoules = \$3,201.00 gross (less rebate)

1958 - 18,000 ampoules = \$2,709.00 gross (less rebate)

Collective Department (Lancet II Tablets 50 mgm.)

1959 - January 1959 - December 1959 = 5,000 tablets @ \$10.00 net  
per 1,000

1960 - January 1960 - December 1960 = 6,000 tablets @ \$10.00 net  
per 1,000

1958 - 5,000 tablets used = Price \$10.00 net per 1,000

Shurline Tablets 50 mgm.

1959 - January 1959 - December 1959 = 7 X 500 tablets @ \$27.66  
net 500

1960 - January 1960 - December 1960 = 11 X 500 tablets

11 X 500 @ \$27.66 net 500  
11 X 500 @ \$27.66 net 500

Lancet II Inj. Tablets Ampoules 1 c.c.

1959 - January 1959 - December 1959 = 121 X 5 @ \$1.91 net for 5 @ \$112.62

1960 - January 1960 - December 1960 = 150 X 5 @ \$1.78 net for 5 @ \$117.00





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### Synthetic Hormone Products

#### Stilboestrol Tablets 1 mgm.

1959 - January - December - 2000 tablets - 5.50 per 1000 = 11.00  
1960 - " " - 1000 " - 5.50 " 1000 = 5.50

Note: 1957 - 4000 tablets used - 5.64 " 1000 = 22.56  
1958 - 5000 " - 6.05 " 1000 = 30.25

#### Vallestril Tablets 20mgm

1959 - January - December - 5x250 @ 40.13 net per 250 = 200.65  
9x250 @ 43.58 " " 250 = 392.22

\$ 592.87

1960 - January - December - 16x250 @ 43.58 net per 250 = \$ 697.28

### Soporifics (sleep inducing)

#### Doriden Tablets 0.5 Gm.

1959 - Jan. 1 - Nov. 9 - 3500 tablets @ 15.13 net per 500 = \$ 105.91

1960 - Jan. 22 - Dec 28 - 4500 " @ 15.13 " " 500 = \$136.17

### Anti coagulants

#### Dicumarol Tablets 100 mgm.

##### Purchases

1959 - March 26 - Dec. 28 - 4000 tablets @ 32.80 per M = \$131.20

1960 - Feb. 22 - Dec. 1 - 4000 " @ 32.80 " M = 131.20  
net

### Diuretics

#### Hydrodiuril Tablets 50 mgm.

1959 - Jan - Dec. - 3300 tablets @ 6.42 net per 100 = \$211.86

1960 - " " - 4300 " @ 3.95 " " 100 = \$169.85

### Haemoglobin Increase

#### Inferon Ampoules (Intramuscular Iron)

1959 - Jan - Dec - 20 x 10's @ 8.80 net for 10 = \$176.00

1960 - " " - 39 x 10's @ 8.80 net for 10 = 343.20



Synthetic Hormone Products

Testosterone Tablets

1959 - January - December - 2000 tablets -	5.50 per 1000 =	11.00
1960 - " - " - 1000 -	5.50 " 1000 =	5.50
1957 - 4000 tablets used	5.54 " 1000 =	22.24
1958 - 5000 " -	5.95 " 1000 =	30.25

Valiostatil Tablets 20mg

1959 - January - December - 3x250 @ 40.13 net per 250 =	300.65
1960 - " - " - 250 @ 43.28 " 250 =	308.25
1960 - January - December - 16x250 @ 43.28 net per 250 =	1697.28

Synthetic (also including)

Prophylactic Tablets 0.5 gm.

1959 - Jan. 1 - Nov. 9 - 3500 tablets @ 15.17 net per 500 =	105.91
1960 - Jan. 22 - Dec. 28 - 4500 " @ 15.13 " 500 =	136.17

Anti coagulants

Aluminal Tablets 100 mg.

1959 - March 26 - Dec. 28 - 4000 tablets @ 32.80 per M =	131.20
1960 - Feb. 22 - Dec. 1 - 4000 " @ 32.80 " M =	131.20

Thrombolin

Hydrobionil Tablets 50 mg.

1959 - Jan - Dec. = 3300 tablets @ 6.42 net per 100 =	197.46
1960 - " - " = 4300 " @ 3.95 " 100 =	159.85

Anticoagulant Tablets

Anticoagulant Tablets (also including)

1959 - Jan - Dec - 50 x 10's @ 8.80 net for 10 =	440.00
1960 - " - " - 39 x 10's @ 8.80 net for 10 =	343.20



That concluded my oral submission, Mr. Chairman.

THE CHAIRMAN: It is a pretty thorough analysis and report of the situation as it exists in your hospital.

MR. RICE: I believe Mr. Mackay has anticipated some questions and I think he has some questions and answers. Perhaps if he can give them to us now, it would probably save some time.

THE CHAIRMAN: Would you like a rest for a couple of minutes, Mr. Mackay?

MR. MACKAY: No, I am all right, thank you, sir. I do have a few questions and answers that came out of my attending one of your earlier hearings and I thought I would make some notes while attending the hearing, so, I jotted them down.

If you would like me to proceed with them. Thank you.

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2644  
to  
2655

APPENDIX "A" TO BE ISSUED







E/AG/hm

Those are the main points that I had jotted down.

MR. RICE: I think that Mr. Mackay has covered the field very well as it applies to the Peterborough Civic Hospital. Have you, Mr. Chairman, or any member of the Committee further questions you would like to ask him?

MR. TROTTER: I remember seeing in your brief, I just cannot place it at the moment, I gathered that you say that in the pharmacy now in the hospital there is very little compounding. In other words, the drugs you use are already prepared by the manufacturers?

MR. MACKAY: That is correct sir.

MR. TROTTER: Would that cut down the services of the pharmacist to a large extent?

MR. MACKAY: Yes, it cuts back on a number of things that the pharmacist has to do, and that the pharmacist has been trained in. Much of the work that our pharmacist does do is, I would say, of a clerical nature, in putting out the prescriptions. However, it is a matter of the checking of the packaging, and checking the prescription to know that what is going out is actually as what was ordered, but the pharmacist does very little in the way of a high knowledge of manufacture or compounding, as we generally look on it.

MR. TROTTER: Would you say from your



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high knowledge of manufacture or compounding, as

we generally look on it.

MR. TROTTER: Would you say from your



experience of the new drugs that have been coming into the hospital, are they all very much the same? For example, you said there were five new drugs coming out each day, about 1,825 a year?

MR. MACKAY: Yes sir.

MR. TROTTER: Can these drugs be broken down to say about four or five classifications, and then within the classification are they very much the same?

MR. MACKAY: Very many of them, yes. They do come down in classifications. We have recently, within the last three or four months, opened an in-patient psychiatric unit, and are treating mental disorders in the general hospital to a much greater extent than we were before, and the drugs used in the treatment in this unit we find that we had a terrific number of items in the first few months. Now this has been cut back as the psychiatrists and internists work on it, and see that many are practically the same item. These are new drugs developed over the last two or three years.

MR. TROTTER: You said you are setting up a system of formulation for your hospital. How many basic drugs do you think you would need?

MR. MACKAY: I have no idea.

MR. BRYDEN: May I ask where you got the figure of five new drug products per day?





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MR. MACKAY: I have no idea.

MR. BRYDEN: May I ask where you got  
the figure of five new drug products per day?



MR. MACKAY: This is a rough guess by my pharmacists.

MR. BRYDEN: It is more or less just an estimate, based on experience?

MR. MACKAY: That is correct sir.

MR. TROTTER: In your experience with the mental patients, have you had any cases brought to your attention where individuals have been discharged from a mental hospital, and then subsequently returned to a hospital, or mental hospital, because they were not able to obtain the necessary drugs?

MR. MACKAY: No sir.

MR. BRYDEN: I am interested in your comments about the formulary which you have in mind I believe, although you haven't developed anything as yet. How far have discussions on this matter proceeded in your hospital at the present time?

MR. MACKAY: Well, they proceeded to the point that from the time that I prepared this brief which originally was in the early part of June, between then and now this formulary system was presented again to our medical staff by the pharmacy committee, and has been approved by the medical staff. At their meeting in April it was set up as a notice of motion from the pharmacy committee, in order to give the medical staff a couple of months to think it over and come up with



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questions or problems they thought might be involved, and at the meeting about two weeks ago this matter was approved by the medical staff in toto. I might add there were no objections, although we anticipated there might be. We feel it will probably be another three or four months before this actually does go into operation. It is a matter of the committee working on it, listing the various items, and they anticipate using a formulary prepared by the American Hospital Association, which is a very new formulary, converting it over into Canadian terms, and for some Canadian products, working with that as a basic formulary.

MR. BRYDEN: The people who are working on this haven't consulted any other hospitals in this province which have a formulary?

MR. MACKAY: Yes, they have been in contact with three or four of the other hospitals, and have been working with them in listing drugs and formulary systems.

MR. BRYDEN: One thing that struck me with regard to hospital administrators who have appeared before this Committee is that until very recently very few hospitals had formularies, and now a great many of them seem to be in the process of getting them, or have just introduced them. Is that impression well founded, do you think? Is that the situation that has suddenly come to the fore as a matter in which hospital administrations are



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interested?

MR. MACKAY: Yes, I would think so.

Looking back as an individual, going from personal experience, when I was in Alberta this matter was discussed, and I brought it to the attention of our medical advisory committee in the hospital I was associated with, and I was practically thrown out on my ear, that this was something that was just not acceptable in any way, shape or form. We discussed it over a period of about a year there, and this just was not to be, and if the physicians in that community felt that it was their individual right, and they were individually responsible for the treatment of their patient in the hospital, and they would prescribe within the bounds of their rights.

In discussion here, I think it has been developed at the Peterborough Hospital over a period of two or three years, the pharmacy committee feel that it would reduce the number of items, with a possibility of saving money by having less items, by carrying less stock, and the possibility of being able to buy in larger quantities in some items, with a lesser number of items, and this would result in an overall saving to everyone. We are still groping, but we do have the acceptance of the medical staff, that if the committee can come up with an acceptable system it will be accepted.





Interested?

MR. MACKAY: Yes, I would think so.

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THE CHAIRMAN: When was the pharmacy committee first formed?

MR. MACKAY: It was incorporated in the by-laws, and is appointed annually, and goes back to 1949.

THE CHAIRMAN: You refer to some time limits set up for some classifications of drugs. When were those time limits established?

MR. MACKAY: Approximately three years ago. It was one of the recommendations of the authorities at that time.

MR. BRYDEN: Both you and other hospital representatives, as well as retail pharmacists, have laid some stress on the policy that many larger drug manufacturers follow, of taking back and giving full credit for out-dated products that are past their useful date while sitting on the shelf. Is the saving that is effected on that as real as it appears to be? Don't you just pay for it when you buy the drugs?

MR. MACKAY: I am quite sure you do. It has to be paid for by someone. However, it is a policy and the reason we stressed it is it is a fact that all of the firms do, and we assumed that no one firm is suffering, or we are not paying any individual firm for it.

MR. BRYDEN: It puts a premium on sloppy inventory control?



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MR. MACKAY: Very definitely.

MR. BRYDEN: So that the hospital or pharmacist, for that matter, who is very careful in his stock, helps to pay for the fellow who isn't quite so careful?

MR. MACKAY: Quite correct sir.



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quite so careful?

MR. MACKAY: Quite correct sir.



L/dpw

MR. WHITE: And they take it back even if it is an open package, for credit?

MR. MACKAY: I don't know. I can't recall a situation having arisen.

MR. WHITE: What they do take back, is that always full credit or partial credit?

MR. MACKAY: Is it almost a full credit.

MR. BRYDEN: I don't want to pry into any private discussions, and perhaps you can't answer this. But getting back to the matter of the formula, is that a matter which has been under substantial discussion by hospital administration over the past year or two? It seems to me quite a coincidence that they are all moving in the same direction at the same time. I wonder if you could give any indication why that may be so, and also that the doctors may be getting converted at the same time?

MR. MACKAY: To answer your question, the hospital association has done a little looking into this matter and it may have helped bring it to the attention of some of the hospitals from the point of view of the physicians. I think in our instance it is a matter of sort of having kept prodding and some may have taken a longer look at it. We have taken a long look at it, and with an internist and a specialist and the committee with





wdpw

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MR. MACKAY: Is it almost a full

credit?

MR. BRIDGMAN: I don't want to pay into

any private discussions, and perhaps you can't

answer this. But getting back to the matter of

the formula, is that a matter which has been under

substantial discussion by hospital administration

over the past year or two? It seems to me quite a

coincidence that they are all moving in the same

direction at the same time. I wonder if you could

give any indication why that may be so, and also

that the doctors may be getting converted at the

same time?

MR. MACKAY: To answer your question,

the hospital association has done a little looking

into this matter and it may have helped bring it

to the attention of some of the hospitals from the

point of view of the physicians. I think in our

instance it is a matter of sort of having kept

prodding and some may have taken a longer look at

it. We have taken a long look at it, and with an

internist and a specialist and the committee with



the chairman, we have talked it over and over. My assistant has been practising for a number of years and has been serving on this committee, and I think he has been giving them a sort of kind of prodding, and it has been accepted by the medical staff as a whole. I think it is from this continual prod, prod, prod, and they don't seem to be objecting any longer.

I think probably another factor is that there appears to be a greater variety of numbers of items even in the last five or six years. Say item X has five different, five other firms putting out something comparable, five or six years ago there were only two or three, and maybe they are accepting the fact that it would be nice to have fewer names.

MR. FULLERTON: I trust, Mr. Mackay, you have been reading the reports of this Committee's hearings.

MR. MACKAY: Yes, sir.

MR. FULLERTON: How does your hospital's cost per patient compare with other hospitals?

MR. MACKAY: We are roughly comparable. We are not low cost, but we are not too high either. There are larger hospitals I think are running a little higher than us, and I think we stand fairly well up with the group "B" hospitals. We are a very highly specialized hospital for a smaller community. Peterborough has a total medical staff



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of 85 men, and of that I think 57 are served by fellow specialists, and I think that is a very high proportion for a non-university centre. I think very many more serious conditions are treated in Peterborough than there would be for a more qualified staff than you find in a community of that size.

MR. FULLERTON: Has your study of the practices of other hospitals helped you in reducing the cost of drugs?

MR. MACKAY: I must admit no.

THE CHAIRMAN: Mr. Mackay, thank you very much for coming and appearing before the Committee and for this very excellent presentation. Thank you for your help.

MR. MACKAY: Thank you, sir.

MR. RICE: Mr. Chairman, we have next Mr. M. Kerzner, who is associated with Mr. Murray Rubin in the operation of the pharmacy known as Vanguard Pharmacy at 1179 St. Clair Avenue West, Toronto.

Would Mr. Kerzner come forward?

Would you tell us your full name, please?

MR. KERZNER: Murvin Kerzner.

MR. RICE: Where do you live?

MR. KERZNER: I live at 1691 Gerrard Street East.



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 Vanguard Pharmacy at 1175 St. Clair Avenue West,

Would you tell us your full name,

MR. KERNER: Marvin Kerner.  
 MR. RICE: Where do you live?  
 MR. KERNER: I live at 1891 Gerard



MR. RICE: What is your occupation?

MR. KERZNER: I am a pharmacist,  
registered with the Ontario College of Pharmacy.

MR. RICE: You are a registered pharmaceutical chemist?

MR. KERZNER: Yes.

MR. RICE: From where did you graduate?

MR. KERZNER: From the College of Pharmacy here in Toronto.

MR. RICE: When was that?

MR. KERZNER: 1955.

MR. RICE: After that what did you do?

MR. KERZNER: I worked for about a year in a corner drugstore, neighbourhood drugstore, and then I worked for about two-and-a-half years with the Eli Lilly Company as a pharmaceutical representative, and at the end of that time I became employed with the Plaza Drugs Limited as a pharmacist. Since the inception of Vanguard Pharmacy I have been associated with it, and I became officially associated with it last April.

MR. RICE: Can you tell me how long Vanguard Pharmacy has been in existence?

MR. KERZNER: It has been in existence about a year-and-a-half, just under a year-and-a-half.

MR. RICE: And you have been associated with it how long?





MR. KERNER: I am a pharmacist,

registered with the Ontario College of Pharmacy.

MR. RICE: You are a registered pharmacist?

MR. KERNER: Yes.

MR. RICE: From where did you graduate?

MR. KERNER: From the College of Pharmacy

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ated with it how long?



MR. KERZNER: Since its inception, but officially since April.

THE CHAIRMAN: When you say "officially", what do you mean by that?

MR. KERZNER: I never received any salary from Vanguard Pharmacy and I had no association actively, but Murray Rubin and I both got together and we decided we would open this type of pharmacy. We thought it would take quite a while before it would support two men, and he was the man who actively worked the pharmacy.

THE CHAIRMAN: You and Mr. Rubin are the two partners who own it?

MR. KERZNER: Actually there are no papers signed. They are with the lawyer and they are practically in the signing position, which will make me an official partner.

THE CHAIRMAN: There are just the two partners?

MR. KERZNER: Yes.

MR. RICE: It is not an incorporation, just a partnership.

MR. KERZNER: No, it is just a partnership.

MR. RICE: Is it operated at any other place other than 1179 St. Clair Avenue West?

MR. KERZNER: No, that is the only location.



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MR. RICE: Is it operated at any

other place other than 119 St. Clair Avenue West?

MR. KERNER: No, that is the only





MR. RICE: Perhaps, Mr. Chairman, at this time I should inform the Committee that, as you will recall, Mr. Rubin's name came up in connection with certain questions which were directed to Mr. Greenfield, and at that time certain litigation was referred to, and I checked on that litigation and perhaps I should mention to the Committee what the background of that litigation was.

As the Committee will recall, the College of Pharmacy is a licensing and disciplinary body only. They deal with the licensing of a pharmaceutical chemist, they do not license shops as such. However, the Act does provide that everyone who is going to open a pharmacy or is going to move into the location of a pharmacy must give notice to that effect to the Registrar. Now, the Registrar then distributes a list of names of the pharmacies to wholesalers and other people who supply pharmacies with drugs.

The Vanguard Pharmacy recently gave notice that they intended to carry on a pharmacy at 1170 St. Clair Avenue West. After Mr. Greenfield visited the premises the disciplinary committee of the College of Pharmacy, after giving notice to Mr. Rubin to present their case before that disciplinary body, struck that address off their list as the location of a pharmacy. This, of course, would have the effect that the wholesalers and



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2

manufacturers would not regard that location. It did not affect Mr. Rubin or Mr. Kerzner in his licence as a pharmaceutical chemist. The decision of the disciplinary committee of the College of Pharmacy was appealed to the High Court judge, and that judge granted a mandamus order ordering the College to again place this address on the list as a pharmacy. The College of Pharmacy appealed that to the Court of Appeal, and the Court of Appeal reversed the trial judge and upheld the disciplinary committee of the College of Pharmacy that it was not a pharmacy operating at that location.

In this litigation the question of price of pharmaceuticals was not mentioned at any point and the price of drugs or prescriptions was not a factor or was not even before the Court at that time.

I mention this because perhaps it may be that any facts or any circumstances of that litigation may be irrelevant to our terms of reference here.

THE CHAIRMAN: Would that be a fair recital of facts, Mr. Kerzner?

MR. KERZNER: Yes, I would say that was a fair recital.

MR. RICE: I understand subsequent to that Court of Appeal decision that Vanguard Pharmacy have now made certain compliances and





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THE CHAIRMAN: Would that be a fair  
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MR. KERNER: Yes, I would say that  
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Pharmacy have now made certain compliances and



have again become registered as a pharmacy at this location by the College of Pharmacy.

Is that correct, Mr. Kerzner?

MR. KERZNER: That is correct.

MR. RICE: When was that?

MR. KERZNER: We officially opened again on May 12th, 1961.

MR. RICE: I understand you have a statement that you would like to make to the Committee regarding the operation of Vanguard.

MR. KERZNER: Yes, with your permission, Mr. Chairman.

MR. RICE: Would you proceed?

MR. KERZNER: Thank you. As I understand it, the main purpose of my appearance before this Committee is to explain the background and operation of Vanguard Pharmacy. Before proceeding I would like to take this opportunity of expressing my own opinions on certain other aspects of pharmacy.

The major concern of this Committee, the public and the newspapers regarding pharmacies seems to be the price of drugs which are generally considered to be too high. I would like to suggest that it is impossible to determine if prices to the consumer are too high before determining whether the net profit of the pharmacist or the manufacturer is out of line.

For instance, if we have a net profit



have again become registered as a pharmacy at this location by the College of Pharmacy.

Is that correct, Mr. Kirkner?

MR. KIRKNER: That is correct.

MR. RICE: When was that?

MR. KIRKNER: We officially opened

again on May 12th, 1901.

MR. RICE: I understand you have a

statement that you would like to move to the downtown location regarding the operation of Vanguard.

MR. KIRKNER: Yes, with your permission.

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of 3% on them then it would be wrong to say that excess profit is being made no matter what the selling price was. This however does not rule out the possibility that by increased efficiency the price could be lowered and profit raised.

I would next like to mention briefly the controversy between branded versus generic drugs. A valid comparison cannot be drawn merely by comparing the two on a price basis. The generic house, by omitting the major costs of the brand name houses, is able to charge a lower price. These major costs which include research, problems of manufacturing new drugs, high-priced labour, drugs of limited but essential usage, promotion, are very necessary and must be borne by someone if the industry is to grow and make major contributions to the advancement of medicine.

At this juncture I would like to digress and comment a little more fully on the promotion programmes carried out by the brand name houses. Whether these programmes are too extensive and costly or not is something on which I do not feel qualified to give an answer. However, I am convinced that a certain amount of promotion is essential in order to make the doctors aware of the latest advances in medication; e.g. cancer drug.

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ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Kerzner

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/dpw

It is taken for granted that while the products of brand name houses have very high standards of purity, potency and elegance the quality of generic drugs is often suspect. This suspicion so far as I can determine is based on hearsay and rumour. Nowhere in the structure of pharmacy is there an impartial body which has the facilities to pick up samples of drugs at random for assay and make the results of their findings available to all pharmacists. Without such assay it is impossible to determine whether one product is superior to another.

Therefore, I believe I have shown that to compare branded and generic drugs on price alone is not valid and to compare them on quality is not possible at this time.

Because pharmacy lacks such a body no pharmacist is adequately prepared to appear before this Committee and state categorically that one drug is the equal of another and that they differ only in price.

I would like to discuss the retail aspect of the pharmacy. I believe that the major fault of retail pharmacy is its inefficient operation. In no other industry or profession are the time and skills of the specialist wasted in the same degree as in the retail pharmacy. Whenever a pharmacist's duties are not involved in the compounding of prescriptions or the health needs



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of the community his time and skills are being wasted. On this basis in many stores the pharmacist is not fulfilling the function for which he was trained.

Many stores do not fill 20 prescriptions daily yet are required by law to employ a registered pharmacist for 12 hours daily. I was just listening to Mr. Mackay's report and I notice that the pharmacist, one pharmacist in his hospital pharmacy does somewhere between 350 to 400 prescriptions or operations which are similar to prescriptions.

THE CHAIRMAN: Is that good or bad from your point of view?

MR. KERZNER: The amount of work that he does?

THE CHAIRMAN: Your reference to his statement, his statement is good or bad as far as you are concerned.

MR. KERZNER: I don't know how many a pharmacist should fill in a certain hour, but I do know when he is not filling a prescription, when he is not looking after the health needs of the community his time is wasted.

I believe for this reason a good gross profit in the dispensary often ends up being net loss. I do not believe it is necessary to quote specific figures at this time because I am sure that Professor Fuller of the Ontario College



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of Pharmacy has gone into this matter in great detail. It is unfortunate that many stores fill so few prescriptions and are forced to rely on the sundry business to make ends meet. For this reason I would offer the following suggestion: certain areas, particularly urban, have too many pharmacies per unit population. In order to remedy this situation I would like to suggest that legislature work with the Ontario College of Pharmacy to institute zoning laws regulating the location of new stores and gradually put these regulations into practice over a predetermined period. Since many doctors dispense drugs, their dispensaries should also be under the jurisdiction of the Ontario College of Pharmacy. It seems logical that when the doctor and the pharmacist are performing identical operations they should be governed by the same laws. The number of dispensing doctors must also be taken into account in zoning regulations for pharmacies.

This brings to a close my general discussion on pharmacy. Although there are many other controversial topics in which I am interested in expressing an opinion I feel that the Committee has heard others who are more expert in these fields and were able to discuss them more fully.

This brings us to a specific discussion of Vanguard Pharmacy.

Two main reasons prompted the inception





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of Vanguard Pharmacy. They were a general dissatisfaction of the role of the pharmacist in the drug-store of today. This was, of course, a personal dislike. A recognition of the fact that there was a need for the type of service we now offer. The basic aim of Vanguard Pharmacy is to provide the patient with his medication at the lowest possible cost. In order to be able to do this we have eliminated all the high overhead costs which contributed nothing to the intrinsic quality of the service necessary to the efficient operation of a pharmacy. For example, we have no fancy fixtures, no delivery costs and we are not in a high rental area.

These innovations in no way alter the actual compounding of prescriptions. The drugs we provide must be as prescribed by the physician as in any other pharmacy.

This generally is how Vanguard Pharmacy is formed. More specifically it is dealt with in the form that I have placed in front of you gentlemen. The form lists some of the problems we feel we have come up against and how we deal with them.

THE CHAIRMAN: Has that been entered in the record, Mr. Rice?

MR. RICE: It hasn't as yet.

THE CHAIRMAN: I think you should enter this as an exhibit.



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Question: What is VANGUARD PHARMACY?

Answer: VANGUARD PHARMACY is a mail order prescription pharmacy that lowers the cost of medicine by its efficient and economical method of operation.

Question: How are you able to do this?

Answer: By avoiding the high costs usually associated with a retail outlet, we have eliminated much of the overhead expense for which the customer must pay but from which he derives little or no benefit.

Question: What are these overhead expenses and how have you been able to eliminate them?

Answer: We are not located in a high rental business district. We do not need expensive fixtures. Our pharmacist is on duty only when needed to fill prescriptions. We have no driver to pay nor trucks to buy and maintain for delivery. We need only minimum stock for use and no excess for display.

Question: What kind of service will a customer get?

Answer: We offer the same prescription service as your local pharmacy. Each prescription is filled by a graduate



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pharmacist. But at VANGUARD PHARMACY you pay only for the medicine ordered by your doctor and for the service of having it filled. You are not required to pay for those frills for which a regular retail outlet must charge.

Question: Just how much will the prescription cost?

Answer: All brand name prescription drugs are sold at wholesale prices. A service fee of \$1.25 is charged for each prescription filled. This covers the cost of the pharmacist, container, rent and taxes. Mailing costs are a few cents extra.

Question: Well, that sounds fair, but how much in dollars and cents will I save?

Answer: The more expensive your medicine is, the more money you will save. For example: a prescription for which you would pay \$6.00 at your local pharmacy would cost you \$4.25 when filled by VANGUARD. A \$9.00 prescription would cost you \$6.75.

Question: What about service? Will our order be handled promptly?

Answer: All orders will be filled and mailed on the day they are received.





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 be handled promptly?

Answer:

All orders will be filled and mailed  
 on the day they are received.



Question: What are your business hours?

Answer: You or your doctor, may call us from 9.30 a.m. to 5.30 p.m. except Sundays and holidays. Saturday hours are 9.30 a.m. to 12.30 p.m. except during July and August when we will remain closed all day.

Question: What about repeat prescriptions?

Answer: Each prescription will have a number. Just phone or mail this number to us and your order will be filled promptly.

Question: What if there is an emergency and we need the medicine repeated right away?

Answer: Just have your local druggist telephone us and we will gladly give him a copy of your prescription.

Question: Do you sell only prescriptions?

Answer: No. We also sell vitamins and many other drug sundries.

Question: Will we also save money on these items?

Answer: Yes. You can save at least 15% on these items.

Question: Is there a minimum order?

Answer: Not for prescriptions or vitamins. There is a \$5.00 minimum if only sundry items are ordered.



Question:

Answer:

What are your business hours?  
You or your doctor, may call us from  
9.30 a.m. to 5.30 p.m. except Saturdays  
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Answer:

What kind of medicines do you sell?  
We also save money on these

Question:

Answer:

Is there a discount on prescriptions?  
Yes, our prescriptions are 10% off.  
There is a 10% discount on all  
during the summer months.





Question: How do we direct our orders to VANGUARD PHARMACY?

Answer: You may contact us in two days. You or your doctor, may telephone us directly by dialing LE. 6-6043 or mail your prescription to: VANGUARD PHARMACY, 1179 St. Clair Ave. W., Toronto 10. Please print your name and address on each order that is mailed in.

In the above discussion we have tried to sketch briefly the purpose of Vanguard Pharmacy and its method of operation. We would again like to emphasize that at Vanguard your prescriptions are filled and checked as they are at any ethical pharmacy. It is only our streamlined operation which allows you to make such great savings. Try us and see.

THE CHAIRMAN: Was this prepared for this Committee?

MR. KERZNER: No, this wasn't prepared specifically for your Committee.

THE CHAIRMAN: What distribution has it received?

MR. KERZNER: It is literature which we send to potential customers so that they fully understand what Vanguard Pharmacy has to offer, the type of service we can offer. We don't offer



How do we direct our orders to Vanguard?

PHARMACY

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them the service that the regular corner drugstore offers. At the prices we charge it would be impossible. This way the customer at his own leisure can look over our operation and decide whether the type of service we give is the type of service they are after.

THE CHAIRMAN: I note at the heading, under the name Vanguard Pharmacy it says "Lowers the cost of medicine for the chronically ill". Is that a policy statement of your operation; in other words the chronically ill are the people who deal by mail whereas others who might have a sudden need for medication might not be able to avail themselves of your facilities?

MR. KERZNER: That is quite true. The operation has lent itself mainly to mailing. Most of the customers that we have live a great distance from us. They are chronically ill. They don't need medication immediately, they have some on hand. The acutely ill person who needs medicine is perfectly welcome to come into the store and get the medication. We feel we should emphasize to these people we don't have the service they are used to with the regular drugstore. We wouldn't like to see them send a prescription in they need immediately and not be able to get it for a day.

THE CHAIRMAN: What do you mean - that defines the area of the buying public to





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like to see them send a prescription in they need  
immediately and not be able to get it for a day.

THE CHAIRMAN: What do you mean -  
that defines the area of the buying public to



which you are appealing.

MR. KERZNER: Yes, that is correct.

THE CHAIRMAN: What do you mean by sundries in this Question and Answer paper?

MR. KERZNER: Many of our customers when they telephone for a prescription ask us if we carry mouth washes, laxatives and other things which are not part of prescriptions.

THE CHAIRMAN: Are they all companion sickroom supplies or do you sell toothpaste and toothbrushes?

MR. KERZNER: We don't have any toothpaste or toothbrushes in stock. We carry sickroom supplies in stock. If the customer wants we will procure an item for them as long as it is available from a wholesaler. This service helps pay our cost. We are very happy to do it.

THE CHAIRMAN: You are happy to deal in sundries yourself?

MR. KERZNER: Pardon?

THE CHAIRMAN: You are happy to deal in sundries?

MR. KERZNER: It is such a very small part of the business and done more as a service for the customer that it really doesn't amount to very much.

THE CHAIRMAN: What percentage of your sales volume would be with respect to sundries?



which you are appealing.

MR. KERNER: Yes, that is correct.

THE CHAIRMAN: What do you mean by

supplies in this question and answer paper?

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for the customer that it really doesn't amount to

very much.

THE CHAIRMAN: What percentage of

your sales volume would be with respect to sundries?





MR. KERZNER: In sundries, I would say 1% or even lower.

THE CHAIRMAN: Could you give us some indication of the number of prescriptions a day that you dispense?

MR. KERZNER: I don't know if I would like to make that information available.

THE CHAIRMAN: Would you like to make it available to Mr. Rice privately?

MR. KERZNER: Yes.

THE CHAIRMAN: Have you any figures as to the average cost of the prescriptions that are dispensed, selling price?

MR. KERZNER: No, we never did sit down and figure an average price. We haven't even actually figured yet the average profit. The operation of Vanguard Pharmacy has been interrupted by the College several times. It has been sort of tough getting started. We feel now that we have adequate figures to give us some sort of basis to see if the prices we charge are too high or too low, whether we are losing money and just exactly how we stand.

THE CHAIRMAN: Would you care to tell the Committee the area from which your customers request, send in business?

MR. KERZNER: We have customers from all over Ontario.



MR. KERNER: In summary, I would

say it or even lower.

THE CHAIRMAN: Could you give us some

indication of the number of prescriptions a day that

you dispense?

MR. KERNER: I don't know if I would

like to make that information available.

THE CHAIRMAN: Would you like to make

it available to Mr. Rice presently?

MR. KERNER: Yes.

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mers request, send in business?

MR. KERNER: We have customers from



MR. BRYDEN: Do you advertise in the papers? How do people find out your services are available?

MR. KERZNER: We had been in business several months and we found we were doing very little. We decided we would have to advertise in the paper. We did so and after the first ad went in developed our troubles with the College. Since the litigation has ended we have decided as far as possible we won't advertise in the daily press.

MR. BRYDEN: How are you going to communicate to people in various parts of the Province the fact that you are in business?

MR. KERZNER: We are trying to communicate through various groups and organizations.

MR. BRYDEN: Such as?

MR. KERZNER: Such as the Arthritic Society, different unions, the Cystic Fibrosis Society, various organizations like that.

MR. BRYDEN: In the newspaper advertising that you previously carried on was there any particular stress on price in that advertising?

MR. KERZNER: Yes, we feel that the advertising did stress price.

MR. BRYDEN: Was that the appeal you were attempting to make, was it mainly you are offering the service at a lower cost.

MR. KERZNER: That is correct. I





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MR. BRYDEN: Such as?

MR. KERBER: Such as the Automobile

Society, different unions, the Yacht Club.

Various other organizations.

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MR. BRYDEN: Was that the appeal you

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MR. KERBER: That is correct. I



feel that is all we have to offer. The drugs we sell are the same drugs as they would get anywhere else. The service that they get, perhaps, isn't as quick as they would get in the neighbourhood drug-store therefore the people who can use our service use it. Other than that the only thing we have to offer is the lower price.

MR. BRYDEN: You said, I think, that your operations were interrupted a number of times by the College. Would you care to explain what you meant by that?

MR. KERZNER: Just recently when we lost the appeal the College closed us down and we were forced to apply for a licence, permission to open a new pharmacy. The College has the option of allowing, of taking 30 days before they put us back on the list. They took the full 30 days. I don't know what that did to our business. We couldn't sell to anybody and had to give out any prescriptions that had to be repeated to other pharmacists.

Several months ago we were again - I am just trying to remember the situation that applied at that time - when they first brought us before the Committee, the Committee ruled we weren't operating a pharmacy and before we could get a Writ of Mandamus we had to remain closed.

THE CHAIRMAN: Following the final decision of the Court, did you make any physical



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MR. BROWN: You are going to ask what  
 your operations were interrupted a number of times  
 by the College. Would you care to explain what you  
 meant by that?

MR. KENNEDY: Last January when we  
 lost the appeal the doctors closed us down and we  
 were forced to apply for a license, permission to  
 open a new pharmacy. The College has the option of  
 allowing, of taking 30 days before they put us back  
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 applied at that time - when they found out that we  
 before the Committee, the Committee ruled we weren't  
 operating a pharmacy and before we could get a  
 writ of Mandamus we had to remain closed.

THE CHAIRMAN: Following the final  
 decision of the Court, did you make any physical





changes in the setup of the premises?

MR. KERZNER: Yes, we increased the size of the premises. This was our own idea. I don't believe it had anything to do with the College. We also put in some dispensing equipment and we increased officially the length of hours. I say officially because at that time at which the Committee found that we weren't operating a pharmacy our hours were exactly the same as now and the decision which they arrived at, they used the hours that we weren't open - when we first opened the business it was about a year-and-a-half ago and at that time as you gentlemen realise no one came to us. Nobody 'phoned us and the only way we could increase the business was to go out and contact various organizations. We felt until the business got started we would only open one hour in the morning, which was always necessary. To increase the number of prescriptions and business we were forced to work longer and longer hours.

THE CHAIRMAN: I have one other question, I don't want to interfere with your examination, Mr. Bryden. On this Question and Answer paper you say, the second last question, all brand name prescription drugs are sold at wholesale prices. Do you mean at cost, at your cost?



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THE CHAIRMAN: I have one other ques-

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tion, Mr. Bryden. On this question and answer

paper you say, the second last question, all brand

name prescription drugs are sold at wholesale

prices. Do you mean at cost, at your cost?



H/PE/hm

At our cost. We buy from the wholesaler. That is our cost, and we take the invoice price of the drug and add \$1.25 to it.

THE CHAIRMAN: You take the actual cost of the drug and to each prescription add the sum of \$1.25?

MR. KERZNER: Yes. This would be the general rule. That is right.

THE CHAIRMAN: Are there any exceptions to that rule?

MR. KERZNER: When we started, this is how we thought we would price our prescriptions. When you do something on theory and do it in practice, you have all kinds of difficulties. For instance, if a person phoned us and bought 100 pills, we charge them \$1.25 above wholesale cost. If they were to take this for the rest of their life and they said "Well, next time we want 200 more", it would be one prescription again. Should we charge \$1.25 or should we charge more, and this is the type of problem that we ran into, according to our advertising, we should only charge the \$1.25. Economically, it becomes unfeasible.

We have worked out a formula where if a person can increase the prescription to a certain quantity and we still charge him only the \$1.25.

THE CHAIRMAN: To what extent can he





At our cost. We buy from the wholesaler.  
That is our cost, and we take the invoice price of the  
drug and add \$1.25 to it.

THE CHAIRMAN: You take the actual cost  
of the drug and to each prescription add one and a  
half cents.

MR. KERNER: Yes. This would be the  
general rule. That is right.  
THE CHAIRMAN: And there are exceptions  
to that rule?

MR. KERNER: When we started, this  
is how we thought we would price our prescriptions.  
When you do something on theory and do it in practice,  
you have all kinds of difficulties. For instance,  
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We have worked out a formula where  
if a person can increase the prescription to a  
certain quantity and we still charge him only the

THE CHAIRMAN: To what extent can he



increase the quantity?

MR. KERZNER: We allow him to double it and we do not charge him for the doubling, and when he gets 500, we charge him only \$2.50.

THE CHAIRMAN: I suppose the situation would then be this, that if one doctor prescribed a dozen pills, the service charge for fee would be \$1.25?

MR. KERZNER: No.

THE CHAIRMAN: That is the initial prescription, is it?

MR. KERZNER: That is, again, another exception. As I said before, the only thing we have to offer our customers is price. If we charge \$1.25 across the board on prescriptions, some prescriptions even in the hundreds don't warrant \$1.25 when we compare them to the regular selling price, and the price that we would charge by adding \$1.25. But, what we do is take a percentage of the suggested retail price off the price and sell it to them that way. The general formula that we use when the two calculations are very close, we do them both and whichever way the customer saves the most, that is the price we use.

THE CHAIRMAN: What would the price range be where the \$1.25 fee applies?

MR. KERZNER: That depends a lot on the discount that we get from the wholesaler. Some







companies give you a 40% discount and some only give you a 33-1/3% discount and, therefore, the price varies, depending on the company that the doctor specifies.

THE CHAIRMAN: I don't think you understood my question.

MR. KERZNER: I am sorry.

THE CHAIRMAN: You said a low cost prescription would -- you would reduce the \$1.25 fee and on a larger prescription you would increase it. What would the range be where the \$1.25 is applied? Would it be between three and five dollars or one and \$2.50?

MR. KERZNER: You mean before we would charge him more than a dollar and a quarter or less than a dollar and a quarter?

THE CHAIRMAN: Both. What is the range? You say a low figure before you would reduce the \$1.25?

MR. KERZNER: Well, we use the 100 as a basis and I would say it works in most cases so that the other cases are really negligible. I can't think of any but when we use the 100 quantity, some drugs, most drugs come packed in 100's and some come in 50's, and we still use the 100 quantity as the \$1.25. When they increase it over the 100 quantity, they want to double it to get 200, it only costs them \$1.25. It is only when they get 300



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specifies

THE CHAIRMAN: I don't think you

understood my question.

MR. KERNER: I am sorry.

THE CHAIRMAN: You said a low cost

prescription would -- you would reduce the 50%  
fee and on a larger prescription you would increase  
it. What would the range be where the \$1.25 is  
applied? Would it be between 50 and 100 or  
or one and \$2.50?

MR. KERNER: You mean between

would charge him more than a dollar and a quarter  
or less than a dollar and a quarter?

THE CHAIRMAN: So, what is the

range? You say a low figure where you would want

MR. KERNER: Well, we use the 100

as a basis and I would say it works in most cases  
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some come in 50's, and we still use the 100 quantity  
as the \$1.25. When they increase it over the 100  
quantity, they want to double it to get 200, it  
only costs them \$1.25. It is only when they get 300



that we add the other \$1.25.

THE CHAIRMAN: Suppose a doctor in the initial prescription started off with 300 as the basic prescription, would that call for a \$1.25?

MR. KERZNER: We are still experimenting, really, and I would say that a lot would depend on the dosage that the patient was allowed to take. For instance, if the 300 tablets would only last the patient for about a month, then, we would charge them only the \$1.25.

THE CHAIRMAN: I take it then you try to ascertain whether it is really a legitimate first basic order or whether it is a large order?

MR. KERZNER: No. I don't think that we have any way of finding that out. We sort of try and feel our way. There has been no example which we were able to follow. We have gone along by trial and error and I don't know whether they are making money or losing money. So, what we try to depend on is volume. So far, we do not have the volume we need and we would like to see what net profit we are making on the operation and that, I think, also will affect the prices that we will charge.

THE CHAIRMAN: I am sorry, Mr. Rice. I think we would also be interested in what inventory they have.

MR. RICE: Can you tell us what the





that we add the other \$1.25.

THE CHAIRMAN: Suppose a doctor in the

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the dosage that the patient was allowed to take.  
For instance, if the 200 tablets would only last  
the patient for about a month, then, we would charge  
them only the \$1.25.

THE CHAIRMAN: I came to show you how  
to ascertain whether it is really a legitimate list  
basic order or whether it is a large order.  
MR. KEN: No, I don't think that

we have any way of finding that out. We sort of  
try and feel our way. There has been no example  
which we were able to follow. We have gone along  
by trial and error and I don't know whether they are  
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depend on is volume. So far, we do not have the  
volume we need and we would like to see what the  
profit we are making on the operation and that, I  
think, also will affect the prices that we will  
charge.

THE CHAIRMAN: I am sorry, M. R. Hise.

I think we would also be interested in what in-



value of investment you have in inventory here is;  
that is, equipment and stock?

MR. KERZNER: Equipment and stock?

MR. RICE: Yes.

MR. KERZNER: I think on that chart  
we say that we try to keep the stock as low as  
possible, but do not have any excess for display.  
This is what we generally try to do. What I do  
every day is phone and order into the wholesaler  
and pick it up each day. This means that we do  
not have to have very much inventory. I would say  
that inventory and equipment, we have about \$2,000.00.

MR. RICE: How much of that \$2,000.00  
would be in actual drugs?

MR. KERZNER: I would say practically  
the whole amount.

MR. RICE: How many different items of  
drugs would be in that inventory?

MR. KERZNER: You mean different names?

MR. RICE: Yes, different names, types  
of drugs?

MR. KERZNER: Oh, I guess 150, 200,  
something like that.

MR. RICE: And do you carry your new  
supply of drugs or prescriptions? Do you fill any  
kind of prescriptions?

MR. KERZNER: Yes. We will fill any  
kind of prescription.



value of investment you have in the factory here and  
that is, equipment and stock.

MR. WILKINSON: Equipment and stock.

MR. WILKINSON: I think on these things

we say that we try to keep the stock as low as  
possible, but do not have any excess for display.  
This is what we generally try to do. What I do  
every day is phone and write into the warehouse  
and pick it up each day. This means that we do  
not have to have very much stock. I would not

this inventory and equipment, we have about \$5,000,000.  
MR. RICE: How much of that \$5,000,000

would be in actual drugs?

MR. WILKINSON: I would say probably

the whole amount.

MR. RICE: How many bottles are there?

Drugs would be in that inventory.

of drugs?

MR. WILKINSON: Oh, I guess 150,000.

something like that.

MR. RICE: And do you carry your own

supply of drugs or prescriptions? Do you fill any

kind of prescriptions?

MR. WILKINSON: Yes. We will fill any

kind of prescription.





MR. RICE: Including narcotics?

MR. KERZNER: Including narcotics.

MR. RICE: And you will fill this from some distance away, two or three or four hundred miles away?

MR. KERZNER: We will fill it two or three hundred miles away, providing we have a prescription from the doctor. Before we can refill it, we have a printed form which we mail to the doctor and he signs it and sends it back to us. This is for refills. I do not feel that if the distance is three or four hundred miles away makes any difference. If I was in the store and someone brought in a prescription to me to be filled and that person was from the other side of time, I would have as much knowledge of the doctor and the person as I would if the prescription was from three or four hundred miles away, unless I took the precaution of phoning the doctor first.

MR. RICE: That is what I am getting at. Are you required to know the doctor's signature, or have it authenticated?

MR. KERZNER: I do not think the general practise of pharmacy applies any rule, mainly because narcotics now are quite different from what they were a few years ago. Most of the narcotics are for pain killers. They are like 222's, only a little stronger. Very few have anything



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

100-101

MR. RICE: And you will find this from

some distance away, two or three or four hundred  
miles away?

MR. RICE: We will find it two

or three hundred miles away, providing we have a  
prescription from the doctor. Where we can find it

it, we have a printed form which we mail to the

doctor and he signs it and sends it back to us.

This is for refills. I do not need it in the

distance is three or four hundred miles away where

any difference. If I am in the store and someone

brought in a prescription to me, I will fill it

that person was from the other side of the line. I

would have as much knowledge of the doctor and

the person as I would if the prescription was

from three or four hundred miles away, unless I

took the precaution of phoning the doctor first.

MR. RICE: That is what I am getting

at. Are you required to know the doctor's signa-

ture, or have it authenticated?

MR. TURNER: I do not think the

general practice of pharmacy applies any rule,

mainly because narcotics now are quite different

from what they were a few years ago. Most of the

narcotics are for pain killers. They are like



like opium or other addicting drugs which give a feeling of euphoria. Heroine has been discontinued. Therefore, I do not think that narcotics are any more dangerous than many of the drugs which are dispensed that do not come under the Narcotic and Opium Act.

MR. RICE: What steps do you take in the operation of your pharmacy to ensure that the prescription actually is a proper prescription, prescribed by a doctor, particularly with narcotics?

MR. KERZNER: I would say the appearance of the prescription and the person. If we get a prescription which we are to mail out, usually, of course, there is a fixed address and a name to which we are going to send it to. I would take it for granted that an addict or someone that is using those drugs illegally would not like to do business that way and would rather walk into the store and have it filled and would be on their way. Other than that, there is not very much you can do to check.

MR. WHITE: Have you had some forged prescriptions?

MR. KERZNER: If I have some forged prescriptions, I don't know about them. However, several weeks ago, a lady did come up. She wanted to get some sleeping pills. She gave me a prescription. I took that to the dispensary and I read





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it and I noticed a discrepancy in the amount of capsules. In other words, there was a change of the colour of ink. One part of the number was written in one colour ink and the other part in another colour ink and when I questioned her she gave evasive answers and I did not fill it. I informed the College of pharmacy, the inspector. He, apparently, knew the woman by the description I gave and I informed the doctor that this patient was using his prescription and forged it on top of it.

MR. WHITE: Is that the only one?

MR. KERZNER: That is the only one I have.

MR. WHITE: As you know, Mr. Chairman, I have to leave. May I ask one or two questions?

THE CHAIRMAN: Yes.

MR. WHITE: Do you procure all your supplies from wholesalers?

MR. KERZNER: I would say the great majority from wholesalers. Some drugs, for instance, generic drugs come directly from the generic manufacturer, for the most part.

MR. WHITE: Do you purchase from brand name manufacturers?

MR. KERZNER: Yes. We have some direct accounts.

MR. WHITE: Have any of the brand name



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MR. WHITE: Do you produce all your

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manufacturer, for the same price.

MR. WHITE: Do you purchase from brand

name manufacturers?

MR. KERNER: Yes. We have some

direct sources.

MR. WHITE: Have any of the brand name





manufacturers refused to sell to you?

MR. KERZNER: Before the litigation, when it was still in the Courts, we did have trouble opening accounts with certain manufacturers. However, at the present time, they are all selling to us.

MR. WHITE: What discount do the manufacturers give you from drugs?

MR. KERZNER: I would say 40% is the discount.

MR. WHITE: So, you get the same discount you think that if you ran on a conventional...?.

MR. KERZNER: Yes. I am sure that the manufacturers that sell to us sell to us exactly on the same basis as they would to any other drug store.

MR. WHITE: Is this true of the wholesalers also?

MR. KERZNER: Yes.

MR. WHITE: Nobody has refused to sell to you since the litigation ended?

MR. KERZNER: That is right.

MR. WHITE: Do you prepay your shipments?

MR. KERZNER: In other words, do the people send the money before we send out the medicine?

MR. WHITE: No. I was wondering, first of all, do you pay for the postage when you mail drugs to a customer?

MR. KERZNER: No. The postage is added onto the cost. I believe that is ...



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MR. WHITE: And are C.O.D. charges added onto the cost?

MR. KERZNER: Well, the C.O.D. and mailing charges are one blanket charge. When we send it out not C.O.D., they pay as much; so, I guess you would say there is a C.O.D. charge.

MR. WHITE: Sometimes the customer will send in a money order with their order?

MR. KERZNER: If it is a repeat order, quite often they will send in a money order. If it is a new order we will just send it out C.O.D.; or, if the customer specifies that for some reason he can't meet the mailman, or something like that, then, we will send it out and he will mail us a cheque.

MR. WHITE: Have you got any charge accounts as such?

MR. KERZNER: No.

MR. WHITE: Are any of your drugs mailed by registered mail, narcotics, for instance?

MR. KERZNER: No, they are not. We send them all out first class and most of them go out C.O.D. and, as such, are insured by the Post Office against loss.

MR. WHITE: In your experience, how many prescriptions can a pharmacist fill in an hour?

MR. KERZNER: If there are no interruptions and he can just fill prescriptions and he does





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many prescriptions can a pharmacist fill in a

hour?

MR. KERNER: It varies with the pharmacist.

Some say it can take 15 minutes to fill a prescription.



not have to do anything else -- for instance, he doesn't have to do anything else like sell the prescriptions to the customer and receive the money for it, if he just fills the prescriptions, I would say he could fill, normally, from 15 to 20 prescriptions an hour very easily, as long as there aren't any compound prescriptions in it.

MR. WHITE: Would you explain the pricing formula to me. The reason I ask that is because, taking the standard druggist's price of \$6.00 here and working it back and then adding on your \$1.25 dispensing fee, it would seem to me that your price should be \$4.40 instead of \$4.25; and, in the second example, it would seem your price should be \$6.20 instead of \$6.75, assuming the discount is 40%.



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Mr. Whitely: Would you explain the

order form to me. The reason I ask that is  
because, taking the standard drug, a price of  
\$0.00 here and working it back and then selling it  
at \$1.00 dispensing fee, it would seem to me that

in one word example, it would seem you would receive  
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MR. KERZNER: What was the first figure?

MR. WHITE: This illustration says:

"For example, a prescription for which you would pay \$6.00 at your local pharmacy, would cost \$4.25 when filled by Vanguard."

MR. KERZNER: I believe there we have included, as the College suggests, the dispensing fee which the patient would naturally pay when having a prescription filled.

MR. WHITE: I understand that, but if you take that \$6.00 subtract 75¢ dispensing fee, that gives you \$5.25 less 40% gives \$3.15, plus \$1.25, give \$4.40, whereas you say your price would be \$4.25. In the second example you quote your price on a regular \$9.00 prescription, \$6.75, and working it back in the same way, it seems to me your price should be \$6.20. I am just wondering if there is something here that I am not taking into consideration?

MR. BRYDEN: They may be better pharmacists than mathematicians.

MR. KERZNER: I really don't know.

MR. WHITE: The illustrations may be incorrect. One seems a little high and one seems a little too low.

MR. KERZNER: If I can think of an explanation -- all I can say, is it is probably my partner's fault.



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THE CHAIRMAN: On the subject of selling drugs directed to the category of the chronically ill, can it be said that the drugs required by the chronically ill come already made up, and can be broken down out of a bottle, and say take 50 pills out of it, as against medicines which have to be compounded?

MR. KERZNER: I wouldn't just limit it to the chronically ill. I would say that is the general picture in pharmacy today.

THE CHAIRMAN: Yes, but you are directing your sale --

MR. KERZNER: Yes, it is true of the chronically ill also.

THE CHAIRMAN: That they would be delivered through your pharmacy from the manufacturer ready made up, and you would repack it?

MR. KERZNER: That is right.

MR. FULLERTON: You mentioned that you discontinued newspaper advertising. Is there any reason for that?

MR. KERZNER: No reason that can really be put down, except the following, that if you want to stay out of trouble, we should not flaunt ourselves before the eyes of the other pharmacists. I think that is about all I can say about that now. We never have been told by any official body that we are not allowed to advertise. It is just a feeling that my partner





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any official body that we are not allowed to

advertise. It is just a feeling that my partner



and myself got in discussing the situation in general, and we acted on that policy.

MR. FULLERTON: How long is it since you discontinued this?

MR. KERZNER: I just forget offhand when our last ad went in. It was, I remember it was a long weekend several months ago. It would probably be the Easter weekend.

MR. FULLERTON: Do you realize that you had an ad in the Sudbury Star last Saturday, June the 24th?

MR. KERZNER: We had an ad? I haven't had an invoice for it. Have you a copy?

MR. FULLERTON: Yes.

MR. KERZNER: Would I be able to see that later?

MR. FULLERTON: It is at my hotel room.

MR. TROTTER: Up until the time you discontinued advertising in the papers, what was the percentage of your sales from newspaper ads?

MR. KERZNER: That is really a difficult question to answer. I heard a story which someone asked Mr. Gimble how much he spent on advertising, and he said so many of hundreds of thousands a year, and he knows that half of it is wasted, and he was asked why don't you cut your advertising budget in half? And he said he didn't know which half was



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wasted.

THE CHAIRMAN: That is sound.

MR. KERZNER: I cannot tell you how much we get by the advertising. All I can say is when we put an ad in the newspaper we can definitely see an increase in our business by averaging the number of prescriptions we have done in the week before the ad and the number of prescriptions we have done in the week after the ad.

MR. TROTTER: Could you give us any idea of the percentage of your sales outside the Metropolitan Toronto area? You have told us it comes from all over Ontario. How much is outside this area?

MR. KERZNER: This is just a rough guess. I would say about 15%.

MR. TROTTER: Outside?

MR. KERZNER: Outside Metropolitan Toronto.

MR. TROTTER: Have you advertised in Quebec?

MR. KERZNER: No, we are not allowed under the Pharmacy Act to fill prescriptions for any other than a medical practitioner in the province of Ontario.

MR. RICE: Your low inventory, and your suggestion there that there may be some delay in filling your prescriptions, I wonder whether or



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MR. RICE: Your low inventory, and

in filling your prescriptions, I wonder whether or



not you have to get your prescriptions before you order your drugs from the wholesaler or manufacturer?

MR. KERZNER: Yes, that is the way we work it. However, this procedure has no bearing at all on the speediness of serving. We pick it up and mail it out the same day. We take it right down to the postal station and it all goes out the same day, so whether we have a drug in stock or out of stock, they are all filled at the same time.

MR. RICE: When you order from a manufacturer, you can order in the size of package the particular prescription calls for?

MR. KERZNER: Yes, we do that as much as possible.

MR. RICE: So that all you have to do is pick it up from the manufacturer, relabel it and mail it out?

MR. KERZNER: We thought this was the most efficient method of operating the pharmacy today, and that is what we do.

MR. RICE: You have worked in retail pharmacies before you entered into this field that you are in now, this type of mail order business?

MR. KERZNER: Yes.

MR. RICE: And we heard before that the average prescription for 1960 was around \$3.20 from a retail pharmacist. Could you tell us, since you know both sides of the story, what a prescription that





KERNER

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average prescription for 1960 was around \$3.20 from

a retail pharmacist. Could you tell us, since you

are now in the mail order business, what is the prescription that



would cost \$3.20 on the average, what it would cost through your system?

MR. KERZNER: You are talking in averages now, and I don't have any figures for our average prescription. I would say that our average prescription prices would tend to be higher.

MR. RICE: I am saying a prescription which would cost on the average \$3.20 in a retail pharmacy, what would that cost in your pharmacy?

MR. KERZNER: One particular prescription, or the whole average of prescriptions?

MR. RICE: Any prescription which would cost \$3.20, what would it cost from you? You give \$6.00 and \$9.00 prescriptions. What would your price be down in the lower prices?

MR. KERZNER: Let us say we are allowed a profit of 40% on the prescription. Without figuring it out, I know that to take the cost of the prescription and add \$1.25 would be higher than taking sixty-four cents for \$3.20. We do that and take 20% off the \$3.20.

MR. BRYDEN: And then you charge whichever is lower?

MR. KERZNER: Yes, that is right. If it was in a range which was pretty close, I would figure the price both ways, and whichever was lower would be charged to the patient.

MR. BRYDEN: I take it that your



ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

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figure the price both ways, and whichever was lower

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MR. BRYDEN: I take it that your





specialty is more in the higher priced range?

MR. KERZNER: Naturally the higher a prescription costs the more we are able to save a patient. That is the way it works out.

MR. BRYDEN: That is why you give examples, I take it, of \$6.00 and \$9.00. That is the market that you are trying to appeal to?

MR. KERZNER: That is correct.

THE CHAIRMAN: Without attempting any play on words, I was interested in your observation that this method of operating a business was considered as the most efficient way of operating a pharmacy.

MR. KERZNER: Yes, I agree with that.

THE CHAIRMAN: But you don't cater, nor do you supply facilities, for these same people who might need immediate medical treatment?

MR. KERZNER: No, we don't.

THE CHAIRMAN: Who is going to serve the public who is going to need immediate treatment?

MR. KERZNER: The regular pharmacists.

THE CHAIRMAN: And you take off this high priced drug part of the business, which is required by the chronically ill?

MR. KERZNER: Yes, we try to do that.

THE CHAIRMAN: But at the moment, on the financial results of the operation I take it you haven't taken off any figures, and it is too soon



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THE CHAIRMAN: But you don't know

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MR. KENNEDY: No, we don't.

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to have a proper picture of the results?

MR. KERZNER: Yes, that is right.

THE CHAIRMAN: And that would mean that we would have to wait probably to the end of this year to even get a six or seven month picture?

MR. KERZNER: We would like to get the accountant in as soon as we can, but he feels it is a little too early to give us a composite picture of our operation.

THE CHAIRMAN: What would happen if you find that you are losing money?

MR. KERZNER: We would either have to increase prices and change our advertising to say so, or give up this type of operation.

THE CHAIRMAN: Supposing you are each making \$15,000.00 to \$20,000.00 a year, what would you do? Is it a fair question to ask you, if when the results are tabulated you and your partner are making \$20,000.00 a year each, what your policy would be? I suggest you don't answer it, but I am going to suggest this to you, that it will be a successful operation, and you will be pleased that you went into the business?

MR. KERZNER: Yes, you are quite right. I really don't think that this type of operation could pay two men anywhere close to that. The increased volume would mean increased staff and





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MR. KERNEY: Yes, you are quite right.

I really don't think that this type of operation

could pay two men anywhere close to that. The

increased volume would mean increased staff and



increased costs. There would have to be a fantastically large volume to be able to show any profits close to that. I have never really contemplated that problem at all.

THE CHAIRMAN: Sears Roebuck and others have been successful on mail order --

MR. KERZNER: We hope to be successful also, but those problems we don't worry about.

THE CHAIRMAN: To be fair with you, it must be assumed that in going into this business you and your partner assumed that under this method you could make more money than by being employed as a pharmacist in the regular way?

MR. KERZNER: No, I think I would disagree with you. We hope to be able to make a comparable living, because we have worked for it and taken the chance going into this business. We hope to make a profit, but there were other factors which influenced us into going into a business like this, rather than to open a store or work in a store as a regular pharmacist, and I believe the other reasons had quite a bit of weight, and it was not just the weight of monetary gain that put us into the business.



increased costs. There would have to be a substantial  
 large volume to be able to show any profit close to  
 that. I have never really contemplated that problem  
 at all.

THE CHAIRMAN: Sears Roebuck and company

have been successful on mail order --

MR. KETCHER: We hope to be successful in

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J/BL/hm

THE CHAIRMAN: And the nature of those other reasons you referred to earlier, and I think you indicated that you didn't like, as a pharmacist, being involved in the sale of the non-pharmaceutical.

MR. KERZNER: That is correct. I never did feel comfortable; I didn't like the job. It was boring and laborious to do that type of work. Other factors which I haven't mentioned which I am sure have played a little bit into it, to open a pharmacy in a grade A-1 location requires a tremendous outlay of capital, which neither I nor my partner have, and even if we had the money, unless you are an established firm and get a good location, to open a store in a small neighbourhood, working long hours, working not professionally all day, didn't appeal to us.

MR. BRYDEN: What about going into the hospitals, where you would spend all the time in the profession?

MR. KERZNER: Quite true. As a salesman I also feel I was doing a more professional job than I was doing in the regular drug store. However, for some reason or other hospital pharmacy doesn't appeal, and it is just like working almost in a factory, where you come in and do your job and go home and there is no room for enterprise, and I think that is most of what is missing.

MR. BRYDEN: You want to be in your own business?



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MR. BRYDEN: You want to be in your



MR. KERZNER: Yes, that is correct.

MR. TROTTER: Do you think if you continued your newspaper advertising or did it to any extent that the College of Pharmacy would attempt to cancel your licence?

MR. KERZNER: I really don't. I couldn't answer that. As I said before, no official mention was ever made. The only reason we got this idea was that Vanguard Pharmacy was in operation for four months at least before the College of Pharmacy really did anything about us, so to speak; and it may be coincidence, but about a week after we put the first ad in the paper was the time we had any serious difficulties with the Ontario College of Pharmacy. We can't afford to be closed and we cannot afford to be involved in any more litigation, and rather than take any outside chances where this might be a factor we decided to discontinue it.

MR. RICE: Mr. Kerzner, to get back to pricing policy, do you purchase drugs from Dominion Pharmaceutical Company?

MR. KERZNER: Yes.

MR. RICE: And you were in business in June, 1960, were you not?

MR. KERZNER: Yes.

MR. RICE: A package of a thousand phenobarbital, half grain, a dollar and three cents, would that be about the right amount?





MR. KERNER: Yes, that is correct

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Canadian Manufacturers?

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MR. KERNER: Yes.

MR. RICE: A package of a thousand

phenobarbital, half grain, a dollar and three cents,

would that be about the right amount?



MR. KERZNER: I think it is \$1.05.

MR. RICE: And if you sold a thousand, a package of a thousand of that tablet, would \$3.25 be right to charge the patient?

MR. KERZNER: I couldn't say. I remember the \$1.05, which is our cost, because I just filled a prescription for a thousand phenobarb half grain, and I charged the patient, I believe, \$2.95. I happen to know that that is a year's supply for that patient.

MR. RICE: I was wondering how that would fit into your \$1.25.

MR. KERZNER: The \$1.25 is the basis of all our pricing. We take into consideration any other factors, and when a person purchases a quantity of a thousand in any one tablet that means we will not see that person again for probably a year. Let's say a large percentage of our customers bought in very large quantities, we would go out of business because there wouldn't be the turnover; we don't get that many new customers. Therefore when a person buys a very large quantity the \$1.25 is not the rule we apply exactly.

THE CHAIRMAN: On that basis an automobile dealer, if he applied your theory, he would ascertain whether a man bought a car every year or every four years, and to the four-year buyer he would jack the price up because he wouldn't see him except



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THE CHAIRMAN: On that basis an auto-

mobile dealer, if he applied your theory, he would

ascertain whether a man bought a car every year or

every two years, and to the four-year buyer he would

raise the price up because he wouldn't see him except





every four years.

MR. KERZNER: That could be quite true. However, we feel that this is in no way overcharging for the prescription, and we feel it is entirely fair for us to make this price. Quite often, since the customers get this sheet, and most of our customers were chronically ill -- and it amazes me, as a matter of fact, that they know exactly what they are getting and they know what it costs, and when they are charged more than a \$1.25 and it is explained to them, they have no complaints in paying the extra money.

THE CHAIRMAN: Would people buy a thousand phenobarbital at a time?

MR. KERZNER: Perhaps phenobarbital is a dangerous drug, but if you had been taking it for five years you would be very familiar with it. You would discuss it with your doctor, your doctor would also give you a prescription for it, and you would tell the doctor you want a thousand and you would save money on it. As a matter of fact, where the patient asked me to contact the doctor, I did, and I had no difficulty in obtaining the thousand prescription. I wouldn't say it was the normal state of affairs, but it happens, especially with out type of customers.

MR. RICE: If the ordinary retail pharmacist, if he paid \$1.05 for that, that would



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MR. RICE: If the ordinary retail

pharmacist, if he paid \$1.00



mean he would charge about \$1.45 plus 75¢, \$2.20,  
and yet --

MR. KERZNER: No, I disagree with you.

MR. RICE: What would he charge?

MR. KERZNER: I would say when you  
are talking about phenobarb I would never hazard a  
guess what a pharmacist would charge. The cost of  
\$1.05 for a thousand is very insignificant, and the  
druggist has his own formula for charging. If he  
would charge that, then why does he buy the thousand  
and sell a dozen for \$1.25.

MR. RICE: I can't tell you that.

MR. KERZNER: Well, for the same reason  
I can't tell you why one man charges \$1.25, another  
will charge \$1.05 and another \$1.50.

MR. BRYDEN: I am not quite clear. If  
the example that Mr. Rice proposed, is that the price  
this company charged at some date in the past?

MR. RICE: That is what I understood it  
was, that they purchased a thousand phenobarbital for  
\$1.05 and they filled the prescription --

MR. BRYDEN: Where did this information  
come from?

MR. RICE: I was asking the witness if  
that was right.

MR. BRYDEN: Have you checked their  
records? How did you seize upon that particular  
example?





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come from?

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that was right.

MR. RYDEN: Yes, that is correct.

Witness: Now did you observe any other

particulars?



MR. RICE: I don't think I should disclose that, Mr. Chairman.

MR. BRYDEN: I think there is a certain form of cross-examination developing here which I haven't noticed with other witnesses.

MR. RICE: I think I put the question very fairly to the witness.

THE CHAIRMAN: I think the witness recognized the item. Mr. Price asked the question as to a thousand phenobarbital, \$1.01, and the witness said he didn't recall the \$1.01 but he recalled the \$1.05.

MR. BRYDEN: It was suggested that they outline their stated policy. I don't know if they have charged a price which is out of line with their stated policy.

MR. RICE: I believe the witness testified that he recently filled a prescription at some time over \$2.00.

MR. KERZNER: Yes. I didn't feel ashamed of that price. I believe I stated the reason before.

THE CHAIRMAN: I would rule that the questions are relevant, because the witness himself has, by the material he has filed, given certain examples of what their price is, and he has referred also to a subject on which we are all interested, having to do with how a prescription fee



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MR. BRYDEN: I thought that was abundantly clear, Mr. Chairman. I didn't see where it was going.

MR. RICE: The line of questioning was trying to compare simple prescription costs in Vanguard to a retail pharmacy.

MR. KERZNER: May I interject here? When you have a drug which you sell for a very low price, the saving which you make the customer would naturally not be a very great saving over the normal pricing procedure in a drug store. However, as the price of drugs increases you would find without exception that the price we charge saves the patient a substantial amount of money which has no relation to 10% or 20%.

MR. RICE: Down in the lower bracket there is not too much of a saving, but as the price of the drug increases, then they can take advantage of it.

MR. KERZNER: Yes, that is correct.

MR. RICE: Could you tell us approximately



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MR. BRYAN: I thought that was another point clear, Mr. Chairman. I didn't see where it was going.

MR. RICE: The line of questioning

was trying to compare simple prescription costs in Vanguard to a retail pharmacy.

MR. ABRAMSON: May I interrupt here?

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TORONTO, ONTARIO

Kerzner

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/dpw

As far as I am concerned I feel on the price, I don't believe it will ever be even, as I say, unless the other druggist has given a discount then there is the chance the price might be even.

If the other druggist has charged the regular suggested retail prices then I would say that our prices are lower because I give a discount.

MR. RICE: Do any members of the Committee have any other questions?

MR. PRICE: I have a few. Do you believe the interruption by the College was justified?

MR. KERZNER: They won the Court case.

MR. PRICE: Do you personally believe it was justified?

MR. KERZNER: No, I don't.

MR. PRICE: Did these interruptions come as a surprise?

MR. KERZNER: Well, they duly informed us to appear before them and show just cause why they should not close us down. I would say the letter came as a surprise but the closure after the hearing certainly didn't come as a surprise.

MR. PRICE: Could the interruption by the College have been avoided?

MR. KERZNER: No, I don't believe that it could have been avoided.



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MR. KERNER: No, I don't believe that it could have been avoided.





MR. PRICE: You couldn't have had them come and inspect your premises and approve of them before you went ahead?

MR. KERZNER: The Ontario College of Pharmacy goes by the Pharmacy Act. The Pharmacy Act states you must inform the College 30 days before you open a store that you intend to open such a store. We informed the College a year-and-a-half ago we were going to open a store. They had every opportunity during the 30 days to inspect and make any suggestions they wanted. I said we were open four months before the hearing. During that four months Mr. Rubin was called down before the Infringement Committee. He explained fully...

THE CHAIRMAN: I don't want to restrict you in any way, but if this is a rehash of the evidence that was heard by the Court I would think it might not be relevant.

MR. KERZNER: This wasn't heard by the Court. It wasn't brought out. I believe to answer the question - he wants to know if this could have been avoided and I don't think it could have. We were down before the Infringement Committee and explained fully the operation of Vanguard Pharmacy. Mr. Rubin definitely asked if there were any suggestions which they would like to make at that time. There were no suggestions forthcoming. Then we were called down to



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the second hearing. They went over the same type of thing mostly, and then had a closed meeting at which they came to a decision we should be closed. They gave reasons why we should be closed. They didn't give us a chance to conform to their requirements. They just closed us down.

MR. BRYDEN: What were the reasons they gave? Are those in writing by the way anywhere?

MR. KERZNER: Yes, they are in writing. They said we weren't operating a store. We didn't have the proper equipment. We didn't keep regular hours, and there was one other point - it just escapes me for the moment.

MR. RICE: Mr. Bryden, I have a copy of the reasons from the Court of Appeal.

MR. BRYDEN: That is on record?

MR. RICE: They are not. They are already on record.

MR. BRYDEN: You mean the Court of Appeal?

MR. RICE: Yes. They have been published in the Ontario Reports as well.

MR. BRYDEN: At what?

MR. RICE: I haven't got the citation. I can provide you with the citation. I have a copy here I will let you have if you wish.

MR. BRYDEN: One of the objections the inspector, the chief inspector mentioned when





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MR. BRYDEN: One of the objections

the inspector, the chief inspector mentioned when



he was here, there wasn't running water on the immediate premises of your pharmacy. Have you done anything about that?

MR. KERZNER: Yes, we have running water on the premises. However, before we rented an office in an office building and we were using the common washroom which had a sink in it for any water that we needed. We had available water at any time.

MR. BRYDEN: Do you have them now on your premises?

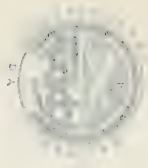
MR. KERZNER: That is correct.

MR. BRYDEN: What other alterations did you make?

MR. KERZNER: We bought some dispensing equipment, and that is about it.

MR. BRYDEN: Why didn't you do that in the first place?

MR. KERZNER: We didn't know they required it. We opened a pharmacy according to the Pharmacy Act, and that Pharmacy Act states you must open a store. As far as we were concerned - I believe there is some legislative bill which defines a store, some place you sell by retail and other than that we didn't know that certain things were required. As a matter of fact the College had never published a list of what a pharmacy did require. It was only after the Court case was



he was here, there wasn't running water on the inside premises of your pharmacy. Have you done anything about that?

MR. KIRKMAN: Yes, we have running water on the premises. However, before we rented an office in an office building and we were using the common washroom which had a sink in it for any water that we needed. We had available water at any time.

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being heard it was published in the Minutes of the Ontario College of Pharmacy, what they felt the minimum standards for a pharmacy must be. Before that time there was no information available. We felt if we needed dispensing equipment we could pick it up at the wholesaler along with the drugs each day.

MR. BRYDEN: You worked in a retail pharmacy, wouldn't you have some indication from that?

MR. KERZNER: I had an indication what dispensing equipment was normally stocked, but I had no indication that this was a Government requirement in law.

MR. BRYDEN: When would you require running water in dispensing prescriptions?

MR. KERZNER: I beg your pardon?

MR. BRYDEN: When would you require running water in dispensing prescriptions? I know nothing about dispensing prescriptions. When would you require running water?

MR. KERZNER: You require running water to rinse off, wash equipment after it has been used. You need it to wash your hands at various times. You need it to rinse out bottles before any medication was put in. I guess that is the major needs of water.

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MR. BRYDEN: Has anybody ever



suggested to you that the prices charged by your firm are too low?

MR. KERZNER: Yes.

MR. BRYDEN: Who?

MR. KERZNER: Various druggists who are, you know, friends that we have gone to school with, some of our suppliers, some of the drug salesmen come in and we shoot the breeze with said we charge too low.

MR. BRYDEN: I take it from what you said earlier none of these suppliers have ever indicated your supplies would be cut off because of that, or am I right in that assumption?

MR. KERZNER: Yes, we were being supplied by a supplier and came out with an advertising campaign about vitamins which was to cut prices of vitamins. Immediately after that the supplier said he would no longer supply us with any of his goods.

MR. BRYDEN: Does he now supply you?

MR. KERZNER: Yes, he does.

MR. BRYDEN: How long were you cut off?

MR. KERZNER: Until we - until after that litigation when we opened the store.

MR. BRYDEN: Anybody beside your fellow druggists and suppliers ever suggest your prices were too low?





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MR. BRYDEN: How long were you out

off?

MR. KERNER: Until we - until after

that litigation when we opened the store.

Anybody beside your

fellow druggists and suppliers ever suggest your

prices were too low?



MR. KERZNER: No, no one else.

MR. PRICE: Have any of your customers suggested your prices are too high?

MR. KERZNER: No, nobody has suggested our prices are too high. In quoting our price quotation it sometimes happens they are already receiving a discount on their drugs. I believe the difference in our prices is negligible. We are about the same. For that reason they don't become a customer of ours, but other than that - of course, they don't suggest the price is too high. They just tell us they are already receiving the drug for a certain price.

THE CHAIRMAN: To complete the record would you just tell us briefly the procedure with respect to ordering and collecting payment? Does a person write a letter and ask you to quote or tell them how much the prescription will be? What is the sequence of events?

MR. KERZNER: Quite often we just receive a prescription with a note telling us to fill it.

THE CHAIRMAN: What do you do then?

MR. KERZNER: Then we go ahead and fill a prescription, wrap it and mail it out to them C.O.D.

THE CHAIRMAN: C.O.D.?

MR. KERZNER: Yes, that is right. If we happen to be speaking to the customer, in



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THE CHAIRMAN: C.O.D.?

MR. KERR: Yes, that is right.

It is important to be speaking to the customer, in





other words they want a quotation - they know what drugs they are purchasing and they want a quotation before, I tell them what the drug will cost them plus the mailing charges. I tell them it goes out C.O.D. usually, if they have no objection that that is how it goes out. Otherwise we send it out to them and they mail us a cheque. The only other way we get a prescription is by direct 'phone calls from physicians telling us to send a prescription to a certain patient.

THE CHAIRMAN: Mr. Kerzner, you have been very frank in telling the Committee about the details of your operation. We thank you for coming.

MR. KERZNER: Thank you very much.

MR. RICE: Mr. Chairman, we have Mr. E.A. Jeffreys, who is the Vice-President of Honest Ed's Limited. He will explain the background of Honest Ed's to you. Mr. Jeffreys, could we have your name?

MR. JEFFREYS: Edward Albert Jeffreys.

MR. RICE: What is your position?

MR. JEFFREYS: Vice-President and Director.

MR. RICE: Vice-President and Director of what?

MR. JEFFREYS: Honest Ed's and



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MR. RICE: What is your position?

MR. RICE: Vice-President and Direc-

tor of what?

MR. JEFFREYS: Honest Ed's Ltd.



Honest Ed's Pharmacy, Honest Ed's, Honest Ed's Pharmacy Limited and various other companies.

MR. RICE: Honest Ed's and Honest Ed's Pharmacy are two different incorporated companies, are they?

MR. JEFFREYS: Correct.

THE CHAIRMAN: Who is Honest Ed, Mr. Jeffreys?

MR. JEFFREYS: His name is Mr. Mirvish. He is presently on the high seas for a holiday.

MR. RICE: How long have you been associated with Honest Ed's?

MR. JEFFREYS: Six years.

MR. RICE: Could you tell us the background of Honest Ed's Pharmacy Limited?

MR. JEFFREYS: It is a successor of Englander's Drugs. Englander's Drugs was a proprietary business established on Queen Street several years ago. Mr. Englander can give you the details on that. If I might elaborate a bit, Mr. Mirvish and myself in 1958 discussed the possibility of a pharmacy being established in the store. We felt for various good business reasons it would be desirable. In the early part of 1959 Mr. Mirvish was attending a social affair and he met Mr. Englander purely by accident and got into conversation, and after that Mr. Englander decided to go along with the store and work out a lease





largest sale of the year, I think, in the history of the company.

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sation, and after that Mr. Englander decided to

be associated with the store and work out a lease



arrangement with Honest Ed's. That would be at the end of 1959. We had difficulties with the Ontario College of Pharmacy giving the necessary approval to the movement. Finally we opened in May, 1959. At May of 1959 Englander's Drugs was a proprietary business. Due to the volume of business and the prices we were working on in the pharmacy the volume grew very rapidly and it was decided in about July of 1960 it would be desirable to incorporate the company and convert the proprietorship into a limited company with the name Honest Ed's Pharmacy Limited.

That company has three registered pharmacists, directors and Mr. Mirvish and myself. That constitutes the directors.

MR. RICE: Who are the shareholders?

MR. JEFFREYS: Yes, Mr. Norman Englander, Mr. B. Koscec, Mrs. M. Haraysti and myself, E.A. Jeffreys, five.

MR. RICE: Is there only one class of share in the company?

MR. JEFFREYS: Yes, common shares only.

MR. RICE: Mr. Englander, I take it, is a registered pharmaceutical chemist, is he?

MR. JEFFREYS: Yes.

MR. RICE: Who other of the shareholders are registered pharmaceutical chemists?



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 company and convert the proprietorship into a  
 limited company with the name Hoesel Eds. Pharmacy

That company has three partners  
 pharmacists, directors and Mr. Thurman and myself.

Mr. Rice: Who are the shareholders?

Mr. Rice: Mr. B. Kossac, Mrs. M. Kossac and myself.

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share in the company?

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is a registered pharmaceutical chemist, is he?

Mr. Jeffreys: Yes.

Mr. Rice: Who other of the share-

holders are registered pharmaceutical chemists?





MR. JEFFREYS: Mrs. Haraysti and Mr. Koscec, three registered pharmacists.

MR. RICE: I understood from you before that Honest Ed's Pharmacy Limited has a leasing arrangement with Honest Ed's.

MR. JEFFREYS: Correct.

MR. RICE: Could you tell us if that leasing arrangement provides for payment of rent in proportion to the business or whether the volume of business has any relation to the rent?

MR. JEFFREYS: Yes, the lease is exactly the same lease as was drawn up in the first instance. It provides for payment of monthly rental plus a percentage of gross receipts on an escalator basis.



MR. JEFFREYS: Mrs. Wenzel and Mr.

Kosco, three registered pharmacists.

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pw  
MR. RICE: Who is the principal shareholder of the Honest Ed's Pharmacy Limited; who owns the shares?

MR. JEFFREYS: Mr. Englander.

MR. RICE: I understand you have Mr. Englander with you this afternoon?

MR. JEFFREYS: I beg your pardon?

MR. RICE: I understand you have Mr. Englander with you this afternoon?

MR. JEFFREYS: Correct, sir.

MR. RICE: I was going to call Mr. Englander, Mr. Chairman, unless some of the Committee have any questions.

THE CHAIRMAN: There is a letter here, a copy of which I have, which is addressed to me, as Chairman, dated June 29th, and signed by Mr. Englander.

MR. JEFFREYS: Mr. Chairman, may I ask the indulgence of the Committee to bring to their notice one inaccuracy in the statement made by Mr. Moisley, the Registrar of the Ontario College of Pharmacy. I did write to you, sir, two weeks ago as regards the testimony, as I read it in the Globe and Mail, where Mr. Englander was said to have failed. I suppose the general implication would be that he was unsuccessful in business and made a voluntary or involuntary arrangement with his creditors. That is not so.





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Number two, sir, Honest Ed's was described as not being a fit place for a pharmacy and that was the reason why the Ontario College of Pharmacy were not anxious or did not want to issue the necessary approval for movement. I did write to you, sir, to that effect. I would like it incorporated in the evidence.

THE CHAIRMAN: I shall do that and I think it is well for you to state the points you have and clear the record publicly.

MR. JEFFREYS: Yes.

THE CHAIRMAN: Have you anything that you would like to say, Mr. Jeffreys?

MR. JEFFREYS: I think, Mr. Chairman, that Mr. Englander's brief will cover the main points. Thank you.

MR. RICE: Mr. Englander, will you come forward please. Can you tell us what your full name is?

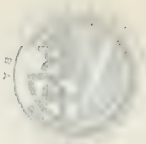
MR. ENGLANDER: My full name is Norman Harvey Englander.

MR. RICE: What is your occupation, sir?

MR. ENGLANDER: I am a pharmaceutical chemist, or a graduate pharmacist.

MR. RICE: What school did you graduate from?

MR. ENGLANDER: From the University of



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MR. ENGLANDER: My full name is Norman

MR. RICE: What is your occupation?

MR. ENGLANDER: I am a pharmaceutical

chemist, or a graduate pharmacist.

MR. RICE: What school did you

MR. ENGLANDER: From the University of





Toronto, the Ontario College of Pharmacy.

MR. RICE: What year was that?

MR. ENGLANDER: 1947.

MR. RICE: After you graduated, what did you do?

MR. ENGLANDER: After graduation, I worked in a store on Eglinton and then on Oakwood, and then I went back to the store on Eglinton. Then, I opened my own pharmaceutical shop on Queen Street West, in Parkdale.

MR. RICE: How long did you operate your own pharmacy on Queen Street West?

MR. ENGLANDER: I operated my own store for ten years. Just to clarify that, I operated my store on Queen Street for ten years and then I transferred it.

MR. RICE: When did you transfer?

MR. ENGLANDER: I transferred it in May of 1959.

MR. RICE: Where did you transfer it to?

MR. ENGLANDER: I transferred it to 581 Bloor Street West, which is the premises of Honest Ed's.

MR. RICE: The store you operated on Queen Street West, was that a typical retail store with all the others?

MR. ENGLANDER: Yes, it was.



Toronto, the Ontario College of Pharmacy.

MR. RICE: What year was that?

MR. ENGLANDER: 1944.

MR. RICE: After you graduated, what

did you do?

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worked in a store on Eglinton and then on Oakwood,

and then I went back to the store on Eglinton.

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581 Bloor Street West, which is the premises of

Pharmco.

MR. RICE: The store you operated on

Queen Street West, was that a typical retail store

at that time?

MR. ENGLANDER: Yes, it was.



MR. RICE: What you are operating at Honest Ed's, you just exclusively dispense now?

MR. ENGLANDER: That is correct, yes.

MR. RICE: I understand that you have a prepared statement that you would like to read to the Committee?

MR. ENGLANDER: Yes, I have a prepared statement here which I would like to read.

Mr. Chairman and fellow members of the Committee, I would like to read you this brief that I have here.

I feel that today the public is demanding a lower price on medical prescriptions. This has been brought home to me clearly by the very fact of the number of prescriptions that we are filling daily, not only from the entire area of Metropolitan Toronto but also from towns within a 60-mile radius of the City, and we feel that in Honest Ed's we are meeting this demand with lower prices.

We started very humbly with another graduate and myself. The other graduate was Mr. Koscec and, today, after two years' operation, we now employ five graduate pharmacists with Ontario licences and seven non-graduates. That also includes a bookkeeper. The original area that was described on the lease that Mr. Jeffreys spoke of was 72 square feet of space; but now, due to our





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MR. CHAIRMAN: All right, members of the

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licences and seven non-graduates. That also

includes a bookkeeper. The original area that was

described on the lease that Mr. Jeffreys spoke of

was 75 square feet of space; but now, due to our



increase in business, we occupy one thousand square feet. The main feature of this is that we now do our dispensing from a mezzanine that overlooks the main area of the pharmacy. This provides an area where the pharmacists may dispense their prescriptions without any interruptions or distractions from the business going on on the main floor of the store.

The dispensary is stocked with the most recent products that the pharmaceutical companies have developed and I would say the freshest and the newest and also a complete line of pharmaceuticals, and the equipment, I feel, is of the highest standards. It is set in a setting of the cleanest and the whitest enamel fixtures that we can find. We have tried to keep it and we are keeping it on a very sanitary basis, as we can. We feel that this growth is because we have met the demand of the lower prices; but, it is not because we have solicited physicians or advertised generally to the public. We have taken advantage of the great volume of public that go through Honest Ed's business.

Now, there are methods by which drugs can be lowered. There are very many of them. I list five. These five are more applicable to us at Honest Ed's Pharmacy.

First is the elimination of delivery and pick-up service. This is a big expense for



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First is the elimination of delivery and pick-up service. This is a big expense for





most drugstores. It includes the cost of the vehicle, the maintenance of the vehicle, the payment of wages of personnel who have to drive those vehicles. There are other costs that do not usually show, like wrapping material, telephone charges and the usual advertising directed to the public to show about this delivery service.

The second way we can lower them is no charge accounts. The last survey of the C.Ph.A., which is the Canadian Pharmaceutical Association, shows that 0.1% of all gross sales of all drugstores has been written off yearly as bad debts. This is the total loss to the drugstores. This does not take into account the amount of money that most druggists spend in trying to collect their accounts.

Thirdly, we feel another method is no exchange and no refunds. This can be costly in two ways. Firstly, there is the bookkeeping end of it. A lot of people say a bookkeeper doesn't mean much, but when you consider the fact that you have to make cross entries in your books, there is a definite cost in the time and the effort that has to be made to make those entries. Then, secondly, medication that has left many pharmacists' hands, I feel personally, although there is nothing on record at the present moment, that it should be destroyed. I don't think medication coming from one person's home should be given to another



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person; therefore, any exchange or refund made is definitely a total loss to the pharmacist.

Fourthly, merchandise stocked by us is only pharmaceuticals products. We are not concerned with cigarettes, candy or other things like soft drinks or magazines. Our pharmacists perform nothing but pharmaceutical duties. They do nothing but fill prescriptions. The public is met by non-graduates, but supervised by a pharmacist and any questions that are required to be answered by the pharmacist, he is there to answer them.

Fifthly, we find that volume buying is an important factor. We can buy in large volumes because of our increase in business. Our business has increased so much now because we fill so many prescriptions daily, we can buy, and especially those medications for the chronically ill, like diabetics or epileptics or mentally ill patients, we can buy those products in large quantities and pass the savings on to our customers.

These five methods, we know, have been applied successfully by us at Honest Ed's. This could be done by other pharmacists, but of course, it would mean a change in the way the pharmacy is run today. It would mean the closing down of what we know as the corner drugstore and I think that out of the ashes of this particular thing, we can come up with something that will





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mean something to pharmacy. We can come up with a well-staffed, professionally-staffed, efficient, sanitary dispensing pharmacy that will give professional and economical service to the public and, eventually, will restore the pharmacist to his professional status in the eyes of the public. Thank you, gentlemen.

THE CHAIRMAN: Just to clarify the situation at the outset, let us direct our attention to the goods and products which are sold by Honest Ed's Pharmacy Limited. I take it that in some other department of Honest Ed's department store, magazines and candy, and so on, are sold?

MR. ENGLANDER: That is correct.

THE CHAIRMAN: How far would the sundries go beyond what we are dealing with in the way of so-called prescription drugs? That is, in the pharmacy itself.

MR. ENGLANDER: Well, for want of classification, I think we can define this very easily in saying that there are certain firms or certain manufacturers who handle or manufacture only ethical drugs, things that are prescribed by physicians. Even though they can be sold across the counter, we have got prescription for these items and those firms manufacture only those items. So, to define this clearly, we can say that the pharmacy handles only products that



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Englander

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are sold by those companies.

THE CHAIRMAN: Well then, if I went to Honest Ed's to buy toothpaste, would it be in the pharmacy department?

MR. ENGLANDER: No. It would not be in the pharmacy department. You would have to purchase that from the booths that are in the drug sundry department.

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M/AG/hm

THE CHAIRMAN: What about hair tonic?

MR. ENGLANDER: The same thing, unless it is a type of hair tonic that your doctor might prescribe.

THE CHAIRMAN: Then, approaching it from another direction. Of your volume of sales, what percentage would be from prescriptions?

MR. ENGLANDER: From actual prescriptions, the volume of sales would be, at least, it has varied, and related figures we have are between 25 to 33-1/3% of our sales are prescriptions.

THE CHAIRMAN: So that the large part, or two-thirds, or three-quarters of your pharmacy department sales do arise from goods which are not covered by a prescription?

MR. ENGLANDER: Yes, but let me point out here that these products are vitamin products, which we feel are health products. The bulk of our sales are these vitamins.

MR. BRYDEN: What about patent medicines?

MR. ENGLANDER: They are handled by the drug sundries department, and does not come under the pharmacy.

THE CHAIRMAN: Would you agree with Mr. Kerzner, another witness, who I think you heard, that drugs required by the chronically ill, arrive at the pharmacy in manufactured form to a large





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MR. ENGLANDER: Yes, but let me point  
out here that these products are vitamin products,  
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MR. EBYDEN: What about general

medicines?

MR. ENGLANDER: They are handled by  
the drug sundries department, and does not come  
under the pharmacy.

THE CHAIRMAN: Would you agree with  
Mr. Kertner, another witness, who I think you heard,  
that drugs required by the chronically ill, arrive  
at the pharmacy in manufactured form to a large



degree?

MR. ENGLANDER: Yes, I agree with that in the main. In tablet form, which is mostly what the chronically ill take, it arrives in tablet form, but they may take liquids, which may have to be manufactured by the pharmacist at the point of dispensing. They also may need ointments which have to be compounded, but I would say about 75% are already dispensed if in tablet form.

THE CHAIRMAN: Do you do any mail order business?

MR. ENGLANDER: No, we don't.

THE CHAIRMAN: On your first point, of how the cost of drugs can be lowered, you refer to elimination of delivery or pick up service?

MR. ENGLANDER: That is right.

THE CHAIRMAN: It is a fact that if I went to get my prescription filled at Honest Ed's, I would still have to provide my own transportation to and from the store?

MR. ENGLANDER: Yes.

THE CHAIRMAN: So what I am getting at is, it is still a shifting of the costs, leaving it in the buyer's hands entirely?

MR. ENGLANDER: The same cost wouldn't be added to the prescription. Your transportation individually wouldn't be the same as what we would add to that prescription to take care of that. Your



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THE CHAIRMAN: Do you go any well

MR. ENGLANDER: No, we don't.

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individual transportation would come out cheaper.

THE CHAIRMAN: Yes, I would agree that you would have difficulty measuring that item.

MR. ENGLANDER: It could be measured this way, Mr. Rowntree. With the cost of a street-car ticket. To and from the store would be 30¢. I am sure that to deliver that to you would cost a lot more than 30¢.

THE CHAIRMAN: Then the customer's time may be worth something. There are a number of factors, but there is a shifting of the factor by that process.

MR. ENGLANDER: Yes, to a certain degree.

THE CHAIRMAN: Would you care to indicate to the committee, one druggist who appeared from a suburban area earlier this week stated that on the day previous his store had compounded, or filled, I think it was 64 prescriptions?

MR. ENGLANDER: Could I give that information to Mr. Rice confidentially?

THE CHAIRMAN: Very well. Now, on the actual cost of a prescription, what cost formula do you use in establishing price?

MR. ENGLANDER: Again I would like to ask permission to give that formula that I use to Mr. Rice in a confidential manner.

MR. TROTTER: Your prices, would I



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MR. TROTTER: Your prices, would I



be correct in saying, and I gathered from what you have said, are based on the fact that it is not a cut-rate price, it is based on volume of people going into this store, is that the idea?

MR. ENGLANDER: That is not the basic factor. We have to establish some formula. We have a formula, but that is not the basic factor, but when we find we are dispensing more of one particular item, because we can buy it in a bottle of a thousand, we reduce the price and take the basic from that bottle of a thousand, that is the controlling factor there.

THE CHAIRMAN: Did you hear a previous witness refer to a type of phenobarbital and a thousand tablets?

MR. ENGLANDER: Yes.

THE CHAIRMAN: What would that prescription cost at your store?

MR. ENGLANDER: Again you are coming to figuring out from the formula I will give you.

THE CHAIRMAN: I think it is a fair question on that basis, that I could get the information from getting on the phone and phoning your store?

MR. ENGLANDER: No, you couldn't phone, we are not listed.

THE CHAIRMAN: I could get it by going in and asking.

MR. ENGLANDER: Unless you presented a





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in and asking.

MR. ENGLANDER: Unless you presented a



written prescription from your physician for that particular medication, I will not price it for you. We know that there are a lot of shoppers around asking for prices. We feel that if people wish to deal with us they will bring a legally signed prescription and then we will price it.

MR. BRYDEN: Do you claim that your prices are lower than those available in regular pharmacies?

MR. ENGLANDER: Yes, we do.

MR. BRYDEN: Do you make that claim in the promotion of your business?

MR. ENGLANDER: Yes, we have done that.

MR. BRYDEN: Do you claim that they are lower by any percentage?

MR. ENGLANDER: No, we don't claim any percentage.

MR. BRYDEN: You say they are lower?

MR. ENGLANDER: We just claim that they are lower.

THE CHAIRMAN: We have had a good deal of evidence from graduate pharmacists across the province with respect to the profession of pharmacy and the individual earning power relating to the going rate, and some were paying \$125.00, \$135.00 a week. How would that compare in your view in your store?

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MR. BRYDEN: Do you claim that your

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MR. ENGLANDER: Yes, we do.

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compare very favourably with our store. Actually it is lower than the wages we pay in our store.

MR. RICE: I understand the source at which you purchase your drugs is the same source of supply from which you purchased your drugs back in your own pharmacy. Are they approximately the same manufacturers and wholesalers and so on?

MR. ENGLANDER: With one exception.

MR. RICE: Would you tell us that?

MR. ENGLANDER: Drug Trading Limited.

MR. RICE: And the prices you purchased at from these sources, is that the same price as any retail pharmacy would purchase for the same quantity?

MR. ENGLANDER: Yes.

MR. RICE: So any difference in the retail price from Honest Ed's and the retail pharmacist is made up as you outline in your five points here?

MR. ENGLANDER: That is right.

MR. RICE: What about the hours Honest Ed's pharmacy is open, is that limited at all?

MR. ENGLANDER: It is limited to the time the store is open. That is from ten in the morning to ten at night Monday, Tuesday, Wednesday, Thursday and Friday and Saturday ten in the morning to six at night, and closed all day Sunday.

MR. RICE: After those hours there is nobody available for emergency?

MR. ENGLANDER: No there is not.



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nobody available for emergency?

MR. ENGLANDER: No there is not.



MR. RICE: And the range of drugs that can be dispensed from Honest Ed's, can a person get any prescription filled there, or only the popular drugs?

MR. ENGLANDER: No, it is the entire range. We try to, if the thing is a recent drug and we have not heard about it you cannot have it, but we try to stock our pharmacy with the entire range of pharmaceutical products available to all pharmacists.

MR. RICE: Do any of the drug companies refuse to sell to you?

MR. ENGLANDER: At the present moment no.

MR. RICE: Did you have any trouble with the drug companies in starting your business?

MR. ENGLANDER: Yes we had some trouble with them. Some companies refused to sell us, but now they all do.

MR. PRICE: Did they give you a reason?

MR. ENGLANDER: Yes, some based their reason on previous experience with me. At one time I had difficulty in paying my bills, and they claimed that was the reason for it. Others said I didn't have an account with them at the time I was in Queen Street.

MR. PRICE: Would you classify these as excuses?

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MR. RICE: I would like to follow up the line Mr. Bryden started out with the difference between the price of prescriptions at Honest Ed's and Regional Pharmacy. You have operated an outlet before you went to Honest Ed's. Can you give us any difference in the price of prescriptions between your pharmacy on Queen Street and Honest Ed's?

MR. ENGLANDER: Again I don't want to be reluctant to tell you, but I feel this is confidential information.

THE CHAIRMAN: I think it is a fair question. What is the differential between your price policy at Honest Ed's pharmacy and what you regard is the general price at the corner drug store. Would there be a 10% difference?

MR. ENGLANDER: I would say between 15% and 25%.

THE CHAIRMAN: That is an important matter and it is a matter in which the Committee is interested.

MR. ENGLANDER: I am willing to supply the Committee in confidence this information.

MR. RICE: I would assume that there would be a range, because there would be a different price change in certain drugs than other drugs?

MR. ENGLANDER: I don't follow your question .

MR. RICE: In other words, it is not



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a constant discount rate across the board.

MR. ENGLANDER: No, we don't take a constant discount, no.

MR. RICE: It varies with the drugs?

MR. ENGLANDER: Yes, it would.

MR. RICE: Would it be safe to say that the more expensive the drug the greater the cut in price and the saving to the customer?

MR. ENGLANDER: Depending on the type of drug being used. If it is a type of drug for the chronically ill, we try to price it as low as possible.

MR. BRYDEN: How would a customer know whether in fact your prices are low? Is the only way to go to two or three different stores?

MR. ENGLANDER: Actually that is what they do. They do get the prescription from their physician and we have seen on the back or even on the front, five or six different prices.

MR. BRYDEN: Do you think they are checking on you to satisfy themselves that your prices are in fact lower?

MR. ENGLANDER: I would say some of them would be doing that. I think that when you buy a car you go out and price maybe five or six different dealers.

MR. BRYDEN: I do when I buy a car, but I have never done it when I bought a prescription.



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MR. BRYDEN: I do when I buy a car.

MR. ENGLANDER: I have never done it when I bought a prescription.



MR. ENGLANDER: If you are taking the same prescription day in and day out --

MR. BRYDEN: I might do, yes.

MR. ENGLANDER: It is necessary for life and you want to get it as cheaply as possible.

MR. TROTTER: From your experience from your own store and the one you are in now, and the litigation in pharmacy, would you say that the College of Pharmacy tried to control drug prices?

MR. ENGLANDER: I would say that they have suggested prices to the pharmacists to guide in his pricing of prescriptions. Now, this is just a guide. If someone wishes to assume that it is law, he can do that. Naturally, something coming from the august body of the College of Pharmacy, some people might assume it is law, other people feel it is not and they can price as they please, but in the general run of things I would say that the College does not try to, it does not force you to follow this schedule.

MR. FULLERTON: Have you been criticized by the College, or your suppliers, for underselling the other drug stores?

MR. ENGLANDER: No, not in those particular words was I criticized for price. I was criticized for the so-called carnival atmosphere which Honest Ed's has, which is a facade that comes out in the newspapers ad, but never on price. Everybody acted





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Englander

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very cagey on it. Maybe by innuendo the word price came in, but never in straight words.

MR. BRYDEN: Would it be possible for you to carry on your type of business, which is exclusively confined to items which are or might be prescribed, would you yourself attempt to carry it on except within a larger store like Honest Ed's?



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MR. BRYDEN: Would it be possible for

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exclusively confined to items which are or might be

prescribed, would you yourself attempt to carry it

on except within a larger store like Honest John's?





N/BL/hm

MR. ENGLANDER: I don't think that it could be operated in any other area, unless you were absolutely established as a large pharmacy, such as Starkman's who is established at the present moment. But you require the traffic that goes through that store to get established.

MR. BRYDEN: In other words, the so-called corner drug store carries a great many side items, and you are relieved of carrying those side items because you are in premises where someone else carries them?

MR. ENGLANDER: That is right.

THE CHAIRMAN: This all comes under the heading of ways and means of generating business.

MR. ENGLANDER: It could come under that, yes. For instance, Eaton's and Simpson's have a pharmacy there, they are relieved of carrying these sundry items as well, and they can devote their time to filling prescriptions.

THE CHAIRMAN: Would you call your organization a discount house?

MR. ENGLANDER: That I leave to Honest Ed's to call his place what he wants to call it.

MR. BRYDEN: But yours is at least technically an independent company, isn't it?

MR. ENGLANDER: Yes, that is right, we are independent, and that is why I say I leave



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MR. ENGLANDER: Yes, that is right.

We are independent and that is why I say I leave



the nomenclature to Honest Ed, not me.

MR. PRICE: You have done joint advertising?

MR. ENGLANDER: Yes, that is right, but we are going to do independent advertising.

MR. PRICE: How do your prices compare with other prices?

MR. ENGLANDER: I believe they are lower.

MR. PRICE: Do you have any complaints about the cost of drugs?

MR. ENGLANDER: My prices or other prices?

MR. PRICE: Do your customers complain about the cost of drugs?

MR. ENGLANDER: Yes, the public have complained quite a bit, otherwise I would not have opened up under Honest Ed's.

MR. PRICE: Do you still get complaints?

MR. ENGLANDER: Yes.

MR. PRICE: How do you justify your prices?

MR. ENGLANDER: For these same five reasons I have given you.

THE CHAIRMAN: Are you justifying your price or what Mr. Price was talking about?

MR. ENGLANDER: He was talking about someone else's price. You mean that my price is high?

MR. PRICE: Yes.





The nomenclature to which it was put.

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MR. ENGLANDER: Well, I will answer that in the negative. If I do get that complaint, it is only rarely do we get it.

THE CHAIRMAN: That is the point, have you ever had them?

MR. ENGLANDER: Yes, we do, but very rarely, and even then we find out that the customer has a relative in the pharmacy business or the pharmacist is giving them a concession.

MR. PRICE: Have you ever really had it from someone not really a customer but someone in another capacity?

MR. ENGLANDER: We do not really price them.

MR. PRICE: Have you had anyone come in with a prescription asking for a price?

MR. ENGLANDER: Yes, they ask us for a price. Nine times out of ten that prescription comes back to us.

MR. PRICE: Have you ever had anyone just wanting the information?

MR. ENGLANDER: Yes, that is right. There might be another druggist.

MR. PRICE: Have you had any complaints from your customers about the high price of drugs when you were located on Queen Street?

MR. ENGLANDER: Yes.

MR. PRICE: Do you think these complaints



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MR. ENGLANDER: Yes, that is right.

There might be another druggist.

MR. PRICE: Have you had any complaints

from your customers about the high price of drugs when

you were located on Queen Street?

MR. ENGLANDER: Yes.

MR. PRICE: Do you think these compe-





were always well-founded?

MR. ENGLANDER: In the majority of cases I would say they were well-founded, and that is the reason I entertained this idea.

MR. PRICE: We have been led to believe that some customers can well afford to pay these higher prices but, nevertheless, complain about the cost of drugs.

MR. ENGLANDER: Well, depending on the area which your store is located... I think if the people in the low rental area complained about the price of drugs it would be a relevant complaint, but if you are in a high rental area where the average income of the householder is quite high, perhaps you would feel that the complaint is not well-founded.

MR. BRYDEN: Why should he pay any more than the other fellow for the same thing?

MR. ENGLANDER: I don't say he should pay more.

MR. BRYDEN: Why should he be less concerned about having a lower price?

MR. ENGLANDER: I think that he is less concerned sometimes.

THE CHAIRMAN: I think if a person were of such means that the price was not of concern to him, it wouldn't affect him.

MR. BRYDEN: I sometimes cannot follow the suggestions forward because many people have a



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THE CHAIRMAN: I think if a person were

of such means that the price was not of concern to

him, it wouldn't affect him.

MR. BRYDEN: I sometimes cannot follow



fairly good income and they shouldn't complain because they feel they are being overcharged.

MR. ENGLANDER: Let's take it out of the field of pharmacy. We have seen people going into what is called exclusive shops for an item which has been priced quite high, and yet the same item can be purchased elsewhere at a lower price, and yet it is the same item. You are still dealing with the same idea. You are not dealing with drugs there, you are dealing with the monetary value of the thing the person has bought, and if he doesn't complain about the high price of the item he has bought in another shop, you wonder why he should sometimes complain about the price of the prescription. I am not trying to justify it, but that is the case.

THE CHAIRMAN: It is part of the foibles of human nature.

MR. ENGLANDER: True.

MR. TROTTER: Mr. Englander, I was wondering when you gave information to Mr. Rice in confidence if possibly you couldn't give a comparison between your prices and the regular drug store prices, drugs for the chronically ill, try to have comparative prescriptions for someone who is suffering from arthritis or people who are suffering from the diseases you get in old age.

MR. ENGLANDER: Yes, I can give him that information, not today but some other time.







MR. RICE: Mr. Englander, I take it that in Honest Ed's you have a large volume of business in this prescription department?

MR. ENGLANDER: Yes.

MR. RICE: Would that not be a sixth reason for volume sales?

MR. ENGLANDER: Well, we take it into consideration with volume buying. If you don't sell in volume you won't buy in volume.

MR. RICE: Also in large volume sales you could make less and still end up with more.

MR. ENGLANDER: Yes, that could be a sixth reason. I never thought of it.

MR. RICE: When you received the complaints when you were operating your store on Queen Street West did you find that a large part of this was a lack of understanding on the part of the customer as to how his prescription was priced, that perhaps some explanation could clarify it?

MR. ENGLANDER: Yes, information could be given to clarify it, but even with the explanation some people wouldn't accept it.

MR. RICE: Did you have any difficulty in making ends meet in your business on Queen Street?

MR. ENGLANDER: For a-while, yes.

MR. RICE: Do you feel that the Ontario College of Pharmacy methods of pricing for a retail pharmacist, having in mind he doesn't have the volume



MR. RICE: Mr. Hoglander, I take it

that in Home's you have a large volume of

business in this prescription department.

MR. RICE: Would that not be a slight

reason for volume buying?

MR. HOGLANDER: Well, we take it in a

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sell in volume you won't buy in volume.

MR. RICE: Also in large volume orders

you could make less and still end up with more.

MR. HOGLANDER: Yes, that would be

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plaints when you were operating your store on King

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MR. RICE: Do you feel that the Ontario

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you have and he has the difficulties that an ordinary corner pharmacy has, do you think it is a fair pricing?

MR. ENGLANDER: No, I think some of these prices are personally unfair, especially from the breakdown from the original package.

MR. RICE: Unfair to the pharmacist?

MR. ENGLANDER: Unfair to the public. I am not talking about the pharmacist.

THE CHAIRMAN: Against the proposition that a large volume of business leads to certain economics or benefits that you are obviously applying, would you agree that your situation, your present situation, and location could not be compared with the problems which are faced by a retail druggist in a village or a town?

MR. ENGLANDER: Oh, definitely. He couldn't compare himself with my operation at all, there would be no opportunity to do the same thing there.



Englander

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It is only in an urban centre that this could be done.

THE CHAIRMAN: And his problems, then, would be completely different from yours?

MR. ENGLANDER: Yes, his problems are completely different, and these problems are taken care of in the local pharmaceutical association, each area has their own association where they take up their own individual problems.

MR. RICE: Any more questions?

MR. PRICE: Have you ever been able to eliminate this unfairness to the public in Honest Ed's?

MR. ENGLANDER: Yes, we have.

MR. BRYDEN: Do you feel inclined to reveal how much you pay your pharmacists? You have, I think, six of them?

MR. ENGLANDER: We have five.

MR. BRYDEN: In addition to yourself?

MR. ENGLANDER: No, including myself.

MR. BRYDEN: You have four, then?

MR. ENGLANDER: Yes. Yes, I can reveal some of their wages.

MR. BRYDEN: Can you give us the lowest and the highest?

MR. ENGLANDER: The lowest is \$7,000 and the highest is \$10,000, per year.

MR. PRICE: That is salary only?





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MR. PRICE: That is salary only?



MR. ENGLANDER: Yes.

MR. PRICE: There is a possibility that they would have a share of profits?

MR. ENGLANDER: Not as such; a bonus or something. We try to make it attractive to them to come to us.

THE CHAIRMAN: Mr. Englander, you have been very frank with us and the information you have given will be helpful. Thank you.

MR. ENGLANDER: Thank you.

THE CHAIRMAN: Now, at this stage of the Committee's sittings I would suggest that we adjourn sine die and due notice will be given of the next meeting of the Committee.

The next phase of the Committee's enquiry will be concerned, as I see the situation at the moment, with the manufacturers and certain material which is being prepared now. I can't say that we won't meet in the month of August, but at the moment I would consider it highly unlikely.

MR. BRYDEN: May I merely say that I would appreciate if there were no meetings between July 31st and August 11th, if it possible to avoid those dates.

THE CHAIRMAN: I think that is the way it will work out.

Are there any other observations to be made at this time? Anybody in the public have



MR. BRYAN: Yes.

MR. PRICE: There is a possibility that

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MR. BRYAN: Not as much as a share.

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TORONTO, ONTARIO

2755

anything to say?

Well, we will consider the meeting  
adjourned.

--- The hearing adjourned at 5.25 p.m.



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Well, we will consider the meeting

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# Select Committee on Drugs

## APPENDIX A

*John Mackay*  
*Peterborough Civic Hospital*

## HEARINGS

HELD AT

PARLIAMENT BUILDINGS

TORONTO      ONTARIO

VOLUME No.: *11/11/1961* DATE:

~~25~~ 27

JUNE 27 1961

OFFICIAL REPORTERS  
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372 BAY STREET  
TORONTO

EM. 4-7383      EM. 4-5865







APPENDIX "A" to Volume No. 27 dated June 29th, 1961,  
covering Pages 2644 to 2655

P H A R M A C Y

1. Approximately how many items are stocked  
in the Pharmacy?

Approximately 2000 items.

2. Do we buy anything from British Drug  
Houses?

Yes. Some items that are purchased  
from this company include prednisone, stilboesterol,  
phenylbutisone, PGA penicillin tablets, carbachol  
ampoules, caffeine and sodium benzoate ampoules,  
ephedrine tablets, and a number of pharmaceutical  
chemicals.

3. Why and what do we buy from National  
Drug Company?

Some manufacturing companies such as  
Eli Lilly and Schering Company only sell through  
National Drug and do not sell direct to the purcha-  
ser. In addition, most drug companies stipulate  
that orders must be for a certain quantity before  
the purchaser is allowed to buy direct from them.  
In this regard the hospital pharmacy does not use  
some drugs in sufficient quantities to buy direct  
from the drug manufacturing company. Many pharma-  
ceutical chemicals are now only available through  
a wholesaler such as National Drug and have been  
discontinued by many drug manufacturing firms.



The most obvious reason is of course convenience.

What items are purchased from Whittell Corp.

Whittell Corp. sells, Ed. Lilly, E. J. Jones, General Products,

and a number of products from Whittell Corp.

4. Do we purchase anything from Whittell?

At one time we purchased Whittell's

used to send out letters for Whittell's and this

company to several drop boxes. The firm of

Charles M. Brown was always the successful bidder

and the order was always awarded to him. For

this reason the procedure of sending out letters

for those products was discontinued and the price

quote have been purchased from the Brown Company.

In addition, orders used to be sent

out for the supply of hypodermic needles and for

the same reason, the order was always awarded to him.

always the successful bidder. Similarly, for the

same reason, the order was always awarded to him.

all the hypodermic needles used in the hospital.

Prices from other firms are checked on from time

to time to ensure that the present suppliers still

have the best price.

5. Why do we buy from certain suppliers?

Over a period of years with the

same firm, we have always been awarded of



The most obvious reason is of course convenience.

What items are purchased from National Drug

Zinc oxide ointment, talcum powder, epsom salts, Eli Lilly Products, Schering Products, and a number of pharmaceutical chemicals.

4. Do we purchase anything by tender?

At one time the hospital pharmacist used to send out tenders for APC tablets and their compounds to several drug firms. The firm of Charles E. Frosst was always the successful bidder and the tender was always awarded to them. For this reason the procedure of sending out tenders for those products was discontinued and the products have been purchased from the Frosst Company.

In addition, tenders used to be sent out for the supply of hypodermic tablets and, for the reasons noted above, J.F. Hartz Company was always the successful bidder. Similarly, for the same reason, J.F. Hartz is now the supplier for all the hypodermic tablets used in the hospital. Prices from other firms are checked on from time to time to ensure that the present suppliers still have the best price.

5. Why do we buy from Certain Specific Firms?

Over a period of years with the quality control, established by the large manufacturing firms, we have always been assured of





The most obvious reason is of course convenience.

What items are purchased from National Drug

Zinc oxide ointment, talcum powder,

epson salts, Eli Lilly products, Schering products,

and a number of pharmaceutical companies

4. In the purchase order by tender

At one time the hospital purchased

used to send out orders for APC tablets and pills

compounds to several drug firms. The firm of

Charles F. Frost was always the successful bidder

and the tender was always awarded to him. For

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ducts have been purchased from the Frost company

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out for the supply of hypodermic needles and, for

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same reason J. F. Frost is now the supplier for

all the hypodermic needles used in the hospital.

Prices from other firms are checked on from time

to time to ensure that the present suppliers still

are the lowest bidder.

The hospital has been successful in

obtaining the lowest prices for

the purchase of drugs and

medical supplies. It is

the result of the

policy of the hospital



quality and the replacement of deteriorated items. The quality of shelf stock is always assured. In addition, doctor's prescription orders have a great bearing on what company will be used for purchases because of the specialty ordered.

Many of the certain specific firms are the only ones who can supply specialty items. It follows that such specialty products must necessarily be purchased from them.

Over a period of years, pharmacists have become familiar with the various firms and through constant association with them have formed an opinion of the company's reputation.

6. How and why do we consider any Firm better than another?

Such opinion is usually a case of better price and the preference for the form in which the product is manufactured. For the most part when purchases are made, the pharmacist is aware of the generic and chemical name of the product and for this reason purchases from the company that offers the best price, service, and ready availability of the product.

7. Total number of prescriptions for an average day filled by one pharmacist in the Hospital Pharmacy.

On June 26, 1961 one pharmacist filled 231 patient medications, 5 staff prescrip-



quality and the price level of the finished item.  
The quality of the stock is always assured. In  
addition, doctor's prescription orders have a direct  
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foreign countries associated with them have formed  
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better than another?

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product and for this reason purchases from the  
company that offers the best price, service, and  
ready availability of the product.

7. Local number of prescriptions for  
an average day filled by one pharmacist in the  
Hospital Pharmacy.  
On June 26, 1961 one pharmacist





tions, plus 3 prescriptions for students. She also processed 123 credits for returned medications from patients.

8. What special discounts are received?

A few examples would be as follows:

1. A.H. Robbins Company - when products from this company are purchased through the National Drug Company, the discount is 40 per cent. If purchases are made directly from the Robbins Company an extra  $16\frac{2}{3}$  per cent discount is given.

2. Hoffman LaRoche - in purchasing Prostigmine ampoules in quantity the following prices prevail in lots of 100 ampoules at \$12.00 per hundred, 500 ampoules at \$11.30 per hundred, 5000 ampoules at \$10.30 per hundred.

It should be noted that some companies offer special discounts on large quantity purchases. Unless the product is used frequently the tendency would be to over-stock on the item with resulting deterioration due to an extended shelf life.

9. What do we buy in large quantities?

Chloromycetin capsules, phenobarbital tablets, aspirin phenacetin compound tablets, sodium amytal capsules, ether, dettol antiseptic, and 95 per cent alcohol in 25 gallon drums.

10. Do we buy any drugs direct from Jules Gilbert, if Yes, What? No.

If not why not? The pharmacist has



8. What specific discounts are received?  
processed 123 credits for returned indicators from  
patients. The also

A few examples would be as follows:  
I. A.H. Robbins - when pro-

ducts from this company are purchased in the  
National Toy Company, the discount is 40 per cent.  
if purchases are made directly from the Robbins  
Company an extra 10.5% per cent discount is given.

2. Hoffman-La Roche - no discount

Proteinase capsules in quantity the following  
prices prevail in lots of 100 capsules at \$2.00  
per hundred, 500 capsules at \$1.50 per hundred,  
5000 capsules at \$1.00 per hundred.

It should be noted that when the

prices offer special discounts on large quantities  
purchased. Unless the product is used regularly  
the tendency would be to overstock on the item  
with resulting deterioration due to an extended

9. What do we pay in large quantities?

Chromomycin capsules, penicillin

capsules, aspirin penicillin compound capsules,



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Mackay

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never been convinced that drugs being distributed from this particular company are up to the labelled strength and quality. In addition, it is possible to purchase drugs by generic name from reputable manufacturing firms that have been established for a number of years. Such firms include British Drug Houses, Glaxo-Allenbury.





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# Select Committee on Drugs

## HEARINGS

HELD AT  
PARLIAMENT BUILDINGS  
TORONTO, ONTARIO

VOLUME No.: ~~28~~ DATE:  
**28** **NOVEMBER 13 1961**

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TORONTO

364-5865-364-7383





SELECT COMMITTEE ON DRUGS

Proceedings of hearings  
held at Parliament Buildings,  
Toronto, Ontario, on Monday,  
the 13th day of November, 1961,  
at 2.10 p.m.

COMMITTEE:

MR. H. L. ROWNTREE, Q.C. -- Chairman

-----

MR. J.A. FULLERTON

MR. J. TROTTER

MR. R.E. SUTTON

MR. R.J. BOYER

MR. N. WHITNEY

MR. H.J. PRICE

MR. K. BRYDEN

MR. J. WHITE

MR. G.F. LAVERGNE

MR. S.J. GADSBY, F.C.I.S., Secretary  
MR. HAROLD A. RICE -- Committee Counsel  
MR. W.J. AYERS -- Accounting  
Consultant to the  
Committee







hm

1 ---On resuming at 2.10 p.m.

2

3 THE CHAIRMAN: Gentlemen, we will call this  
4 meeting to order. At the outset I would like to make  
5 some reference to what has happened to our Committee  
6 between the last sittings and today. In the meantime, one  
7 of our members, Mr. Albert Wren is no longer with us. I  
8 would think we would all, including those who are parties  
9 to this hearing, would want to pay some respects to him.  
10 Mr. Wren was taken away at altogether too early an age.  
11 Maybe it is a warning for a lot of us about the speed and  
12 the propelling times in which we seem to be living at the  
13 moment. Mr. Wren was a friend of mine, and I am sure he  
14 was of each of the other members of the Committee. He  
15 was very much interested in this subject and he and I have  
16 had many discussions about the subject matter with which  
17 we are dealing. I am just sorry he is not here. He was  
18 a fine gentleman and he has made a very great contribution,  
19 not only to public life, but to this Committee in particular.  
20 I am sure the rest of the Committee would want to join  
21 with me in those observations.

22 Now, it is now November of 1961. It has  
23 been announced the legislature will be sitting a week from  
24 Wednesday. The importance of this particular subject of  
25 this Committee is such that we would like to accomplish  
26 as much as we can between now and the next eight days,  
27 preferably within this present week. As a matter of fact,  
28 on the sitting of the legislature this Committee automa-  
29 tically becomes dissolved and it is apparent that we will  
30 require a resolution of the House to continue the sittings







1 of the Committee. I am prepared to recommend to the  
2 Prime Minister that be done and the reason for that must  
3 be obvious because we will require some meetings of this  
4 Committee to consider and finalize our reports.

5 I would hope that the evidence which remains  
6 to be heard would be available in clear, precise and  
7 succinct form so that we may take advantage in as an  
8 efficient a manner as possible of the days which remain  
9 to us, particularly during this present week.

10 We have a major brief to be presented,  
11 starting this afternoon, from the manufacturers as a group  
12 represented by the Canadian Pharmaceutical Manufacturers  
13 Association. There may be other evidence from individual  
14 manufacturers.

15 I would like to make this point clear. This  
16 Committee having sat for a year and a half and various  
17 parties with interests having appeared before it, it may  
18 very well be that in what appears to be the closing hearing  
19 of our Committee that some of the parties to this subject  
20 matter may want to come back and present some final  
21 observations. If that be so then we are prepared to hear  
22 them, in fact, we would welcome any observations which you  
23 may have to make.

24 The Committee dealing with a subject matter  
25 such as this is concerned with coming to certain conclu-  
26 sions and also we are bound to make certain recommendations.  
27 Having in mind those two primary and essential points of  
28 our being then it would seem that some of you might want  
29 to come back who were heard at an earlier stage and, in  
30 the light of the evidence which has been produced since then





1 make some final observations. If that is your wish, if  
2 you will make your desire known to the Secretary, we will  
3 make the necessary arrangements to hear you.

4 Now, we will proceed with the submission of  
5 the Canadian Manufacturers Association. Mr. Rice?

6 MR. RICE: I believe Mr. Hume would like to  
7 introduce Mr. Conder.

8 THE CHAIRMAN: Mr. F.R. Hume, Q.C., for the  
9 Canadian Pharmaceutical Manufacturers Association.

10 MR. HUME: Thank you, Mr. Chairman. Mr.  
11 Chairman and gentlemen, as first counsel to speak to you  
12 and one who has appeared before you and followed the trans-  
13 cript I merely wish to add to the remarks that the  
14 Chairman made with respect to the late Mr. Wren. Anyone  
15 who has read the transcript will be well aware of his  
16 keen interest in the matter and his loss will be felt, I  
17 am sure, by the Committee.

18 Also, Mr. Chairman, I would like to make a  
19 personal reference to you. I know this won't embarrass  
20 you because we are old friends. I wish to extend to you  
21 my congratulations for your re-appointment as Minister of  
22 Transport and to wish you the best in those duties.

23 Our purpose this afternoon is to provide  
24 whatever information we have in succinct form, we hope.  
25 This consists of a table of material that has been collected  
26 by Mr. A. J. Little and rather than go through the tedious  
27 process of qualifying Mr. Little by question and answer  
28 may I say for the purpose of the record that Arthur John  
29 Little was born in London, Ontario, in 1913 and was  
30 educated in the London Public Schools, Appleby College and





make some final observations, if that is your wish, if  
you will make your desire known to the Secretary, we will

Now, we will proceed with the presentation of

the Canadian Manufacturers Association, Mr. Bailey

Mr. Bailey: I believe Mr. Bailey would like to

introduce Mr. Conner.

THE CHAIRMAN: Mr. F.W. House, etc., etc.

Mr. House: Thank you, Mr. Chairman.

Chairman and gentlemen, as I just pointed out to you

and one who has appeared before you and followed the

script I merely wish to add to the remarks that the

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This consists of a table of material that has been collected

by Mr. A. J. Little and passed down through the various

process of qualifying Mr. Little by question and answer

and I am sure that the Committee will find it of great

value in the future.

Thank you very much, Mr. Chairman.



1 the University of Western Ontario where he graduated with  
2 his B.A. degree from the Business Administration Depart-  
3 ment as a gold medalist. He obtained his degree in  
4 chartered accountancy in 1939 and was made a Fellow of the  
5 Institute of Chartered Accountants of Ontario in 1956.  
6 He has 26 years experience with Clarkson Gordon & Company  
7 and has been a partner since 1945. Now he is Chairman  
8 of the Canadian Tax Foundation. He has appeared before  
9 the Ontario Municipal Board and other rate fixing bodies  
10 and as an expert witness. Mr. Little has prepared certain  
11 material as the result of questions he put as the result  
12 of questions of this Committee. Perhaps, Mr. Little,  
13 would be good enough, to explain at this point and answer  
14 any questions of the Committee on this document dated  
15 October 24th, 1961 and entitled "Compilation of Results  
16 of Special Questionnaire."

17 THE CHAIRMAN: I think you have qualified  
18 Mr. Little. I don't think there is very much doubt about  
19 that.

20 MR. HUME: Thank you, sir.

21 MR. LITTLE: Mr. Chairman, I have, as Mr.  
22 Hume has put it, you won't wish me to read this so I have  
23 a few comments that might be in order. In particular I  
24 think I should start by explaining the method in which....

25 THE CHAIRMAN: Might we at the outset, Mr.  
26 Little, file this document which is entitled on the top,  
27 October 24th, 1961, Schedule 1 and continues therefrom  
28 some seven pages, as an exhibit.

29

30







1 MR. LITTLE: The questionnaire which was  
2 dated May 3rd and which is the basis of this preparation  
3 was prepared by me following a meeting with the Steering  
4 Committee of the Association. I attempting in drafting  
5 the questionnaire, to supply answers so far as I thought  
6 it possible to do so to the questions that had come up  
7 earlier in the hearing. I read the transcript and made  
8 note of the various figures and analyses that were useful.  
9 I believe that I have incorporated all that were possible  
10 to be included. In summarizing the information I summarized  
11 for the year 1960 because I thought the more recent  
12 information would be of most use to the Committee and also  
13 that the member manufacturers of the Association would be  
14 able to provide the information more accurately if it was  
15 of more current nature. Actually I did as well obtain  
16 information for 1959 which is very similar thereto and is  
17 very similar and quite comparable, of course, to the  
18 information which was submitted by Mr. Conder and was  
19 contained on page 30 and 31 of his brief except they are  
20 not the same companies involved. I don't know which  
21 companies are involved. There were 43 companies in the  
22 original survey. There were 40 companies in our survey.  
23 Although the total sales figures in ours was a little higher,  
24 the proportionate analysis is very similar throughout.

25 THE CHAIRMAN: The sales figures in this  
26 compilation refer to Canada or total production wherever  
27 their business may be or to Ontario alone?

28 MR. LITTLE: The figures apply to the  
29 business generated in Canada by these Canadian companies  
30 whether they be Canadian, Ontario or export sales. One of







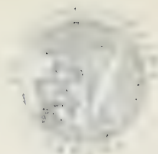
1 schedules will analyze the sales figures.

2 I thought the Committee would be interested,  
3 sir, in the number of companies that might be included  
4 in the survey and then an indication of the importance of  
5 those that have been omitted.

6 At the time of preparing the questionnaire  
7 I was advised there were 54 members of the Canadian  
8 Pharmaceutical Manufacturers Association. Six of those  
9 companies were not distributing pharmaceuticals to the  
10 trade, but were suppliers and were companies who under the  
11 present rules and regulations wouldn't have been eligible  
12 for membership in the Association for that reason, but  
13 having been members for many years were allowed to remain.  
14 So six companies were excluded from the questionnaire at  
15 the start, which left 48 possible companies for inclusion.  
16 Of the 48 six chose not to participate. One which was  
17 expected to reply did not reply. One replied after the  
18 bulk of the summarizing of the figures had been completed  
19 and we felt the expense of going back and reworking our  
20 figures was not worthwhile. It was a very small company  
21 in the total picture. That left 40 companies that  
22 actually participated in the questionnaire.

23 The eight companies that didn't take part,  
24 we, of course, had no figures from them, but it was  
25 possible for the Association to indicate to us the estimated  
26 sales volume of such companies because their fee for  
27 participation in the Association is based on volume. We  
28 took the range of sales figures of the eight companies and  
29 totalled them up and found that the aggregate sales  
30 would probably fall in the range of three million eight, to





1 schedules will analyze the sales figures.

2 I thought the Committee would be interested.

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4 in the survey and then an indication of the importance of

5 those that have been omitted.

6 At the time of preparing the questionnaires

7 I was advised there were 54 members of the Canadian

8 Pharmaceutical Manufacturers Association. Six of those

9 companies were not distributing pharmaceuticals to the

10 public, but were suppliers and were companies who under the

11 present rules and regulations wouldn't have been with the

12 for membership in the Association for that reason, but

13 having been members for many years were allowed to remain.

14 So six companies were excluded from the questionnaire as

15 the result, which left 48 possible companies for selection.

16 Of the 48 six chose not to participate, one which was

17 expected to reply did not reply, one replied after the

18 date of the summarizing of the figures had been completed

19 and we felt the expense of going back and reworking our

20 figures was not worthwhile, it was a very small company

21 in the total picture. That left 40 companies that

22 actually participated in the questionnaire.

23 The eight companies that didn't come back,

24 we, of course, had no figures from them, but it was

25 possible for the Association to indicate to us the estimated

26 sales volume of such companies because their fee for

27 participation in the Association is based on volume. We

28 took the range of sales figures of the eight companies and

29 worked them up and found that the aggregate sales

30 would probably fall in the range of four million to



1 five million two hundred and fifty or something in the  
2 neighbourhood of three to five per cent of the total volume  
3 of sales of the members of the Association.

4 I also thought your Committee would be  
5 interested to see what percentage of the total pharmaceutical  
6 industry might be represented by these companies if it  
7 was possible to work some appropriate figure. From the  
8 Dominion Bureau of Statistics' summaries of the medicinal  
9 and pharmaceutical preparations industry for 1959 on table  
10 3 would appear to be a corresponding total sales volume  
11 of comparable products for 1959, which is the most recent  
12 year, and that figure amounted to 116,938,000 to the  
13 nearest thousand. The 1959 sales for the 40 companies  
14 included in these results amounted to 106,000,258, slightly  
15 lower than the 1960 result which appeared on my first  
16 schedule. The 1959 sales of the 40 companies which is  
17 included represent about 91% of the total sales for Canada  
18 in 1959 and that would appear to be comparable.....

19 MR. BOYER: Was that 40 companies, 106 million?

20 MR. LITTLE: 40 companies, 106,000,258.

21 MR. BOYER: Thank you.

22 -

23 -







/dpw 1 MR. LITTLE: Schedule 1, Mr. Chairman, is  
2 exactly comparable to the schedule which was submitted by  
3 the Association, and was contained on pages 30 and 31 of  
4 Mr. Conder's brief, except that it is for 1960 and repre-  
5 sents 40 companies, and not 43.

6 Questions were asked in the earlier hearing  
7 as to the extent of influence of large companies on the  
8 results. On analyzing the figures, we found that six of  
9 the 40 companies accounted for 40% of the total sales  
10 volume. Their profit, net profit after tax, related to  
11 sales, amounted to 6.6%, which compares with the figure of  
12 5% as shown on Schedule 1 for the 40 companies involved.

13 I had no other comment, sir, about Schedule  
14 1 except I wanted to draw your attention to one figure, or  
15 two figures that appear unusual. In Items 9 and 10, Item  
16 9 presents the amount of dividends paid by the companies  
17 for the year, and line 10 indicates the amount retained in  
18 the business. Now, the sum of these two figures is the  
19 net profit after taxes for the year.

20 In the previous submission for 1959, the  
21 amount paid as dividends and the amount retained in the  
22 business was approximately equal although the total of the  
23 two was about the same as for 1960 - over seven million.

24 In case the figures might seem to indicate  
25 what is the distribution pattern of the companies, I looked  
26 back to see what had happened and why the amount retained  
27 should be low, and what in fact happened was that two  
28 large companies in 1960 paid out dividends which exceeded  
29 their earnings. It had the effect of producing a very  
30 small amount for retention in the business. It could in



Little

ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

MR. LITTLE: Schedule 1, Mr. Thompson, is

exactly comparable to the schedule which was submitted by

the Association, and was contained on pages 30 and 31 of

Mr. Conder's brief, except that it is for 1950 and repre-

sents 40 companies, and not 48.

Questions were asked in the earlier session

as to the extent of influence of large companies in the

results. On analyzing the figures, we found that out of

the 40 companies accounted for 40% of the total sales

volume. Their profit, net profit after tax, related to

sales, amounted to 6.6%, which compares with the figure of

5% as shown on Schedule 1 for the 40 companies involved.

I had no other comment, and would mention

that I except I wanted to draw your attention to one figure, on

two figures that appear unusual. In Items 9 and 10, Item

9 presents the amount of dividends paid by the companies

for the year, and Item 10 indicates the amount retained in

the business. Now, the sum of these two figures is the

net profit after taxes for the year.

In the previous session for 1949, the

amount paid as dividends and the amount retained in the

business was approximately equal although the total of the

two was about the same as for 1950 - even after making

in case the figures meant seem to indicate

what is the distribution pattern of the companies. I looked

back to see what had happened and why the amounts retained

should be low, and what in fact happened was that two

large companies in 1950 paid out dividends which exceeded

earnings. It had the effect of producing a very

or retention in the business. It could be



1 fact produce a negative figure had the larger ---

2 MR. BRYDEN: You say dividends or equivalent.  
3 Would that be payments by Canadian subsidiaries to their  
4 head office companies?

5 MR. LITTLE: I would assume so. I really  
6 would have to ask I think the ccmptrollers of the companies.  
7 This is the same wording as used on the previous question-  
8 naire. If any of these companies happen to be branches of  
9 U.S. corporations, then the figure would not be - there  
10 would not be the actual dividend from such a branch in  
11 Canada, but a portion of their profit would represent divi-  
12 dends, and this I assume would be what was intended to be  
13 included by using those words.

14 THE CHAIRMAN: Without getting involved in  
15 tax principles, do any of these companies which are  
16 based principally outside Canada operate as branches in  
17 Canada?

18 MR. LITTLE: Well, I can't tell you about  
19 these companies, but it is an unusual way to operate,  
20 although there are companies which do operate in that  
21 fashion, and some large companies.

22 THE CHAIRMAN: The general rule would be  
23 through the Canadian subsidiary?

24 MR. LITTLE: I expect.

25 MR. TROTTER: Would research be shown in  
26 this?

27 MR. LITTLE: Research is included in total  
28 figures, and as we move through the schedules, we will see  
29 research brought out as a separate figure in just a moment.

30 Then if I may continue, Mr. Chairman,





1 fact produce a negative figure and the larger --

2 MR. BRYAN: You say dividends are equivalent.

3 Would that be payments by Canadian subsidiaries to their

4 MR. LITTLE: I would assume so. I really

5 would have to ask I think the controllers of the companies.

6 This is the same wording as used in the previous question.

7 name. If any of these companies happen to be located in

8 U.S. corporations, then the figure would not be -- there

9 would not be the actual dividend from such a branch in

10 Canada, but a portion of their profits would represent divi-

11 dends, and this I assume would be what was intended to be

12 included by using those words.

13 THE CHAIRMAN: Without getting involved in

14 tax principles, do any of these companies which are

15 based principally outside Canada operate as branches in

16 Canada?

17 MR. LITTLE: Well, I can't tell you about

18 these companies, but it is an unusual way to operate,

19 although there are companies which do operate in that

20 fashion, and some large companies.

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22 through the Canadian subsidiary?

23 MR. LITTLE: I expect.

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25 MR. LITTLE: Research is included in total

26 figures, and as we move through the schedules, we will see

27 research brought out as a separate figure in just a moment.

28 Then if I may continue,



1 Schedule No. 2 is an analysis of sales. Questions were  
2 asked as to the end recipient of the sales volume of the  
3 pharmaceutical manufacturers, and this Table 1 on Schedule  
4 2 breaks out pharmaceutical sales of 35 companies as  
5 between sales to general hospitals and institutions,  
6 Ontario Government and other governments, wholesalers and  
7 druggists and export sales. There are only 35 companies  
8 of the 40 which replied to this question, and my assumption  
9 was they did not have their records prepared in such a  
10 fashion that they could analyze the figures without a  
11 great deal of trouble.

12               However, you will see by comparing the  
13 totals, a great bulk of the membership sales are included  
14 because total sales of pharmaceutical items under Item 1  
15 on Schedule 2, \$102,633,000 compares with \$107,994,000 for  
16 the 40 companies, so that they were smaller and lesser  
17 important companies that did not reply.

18               The bottom part of Schedule 2 gives the same  
19 analysis in respect of sales made by the member companies  
20 within the Province of Ontario.

21               Schedule 3 is an analysis of profit and loss  
22 account in a different fashion to do two things: first of  
23 all, to break out the costs in a departmental or functional  
24 fashion rather than by class of expenditure. For example,  
25 on Exhibit 1, wages and salaries are lumped together and  
26 shown in one figure; on Schedule 3, salaries and wages  
27 will appear in a functional manner or departmentally under  
28 cost of sales, research, salary or administration. The  
29 schedule then draws out the total research expenditure  
30 which had been asked for in earlier questions, and also



1 Schedule No. 2 is an analysis of sales. Questions arise  
2 raised as to the end recipient of the sales volume of the  
3 pharmaceutical manufacturers, and these figures on Schedule  
4 2 breaks out pharmaceutical sales of 35 companies as  
5 between sales to general hospitals and institutions,  
6 to State Government and other Government, and foreign and  
7 drugists and export sales. There are only 35 companies  
8 of the 40 which replied to this question, and my understanding  
9 was they did not have their records separated in such a  
10 manner that they could answer this question.  
11 Great deal of trouble.  
12 However, you will see by comparing the  
13 totals, a great bulk of the pharmaceutical sales are accounted  
14 because total sales of pharmaceutical houses under item 1  
15 on Schedule 2, \$102,632,000 compared with \$107,704,000 for  
16 the 40 companies, so that they were smaller and fewer  
17 important companies that did not reply.  
18 The bottom part of Schedule 2 gives the same  
19 analysis in respect of sales made by the member companies  
20 within the Province of Ontario.  
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22 account in a different fashion to the two things that I  
23 all, to break out the costs in a departmental or functional  
24 fashion rather than by class of expenditure. For example,  
25 on Exhibit 1, wages and salaries are lumped together and  
26 shown in one figure, on Schedule 3, salaries and wages  
27 will appear in a functional manner or departmentally under  
28 cost of sales, research, salary or administration. The  
29 schedule also shows out the total research expenditures  
30 which had been asked for in earlier questions, and also





1 selling and advertising expense, and so on.

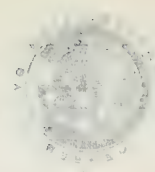
2                   Although the schedule segregates figures as  
3 between human pharmaceutical sales and all other sales and  
4 shows relationship of the net profit after tax on the pharma-  
5 ceutical business to the net profit after tax on the other  
6 business. As you will see from the last line in the state-  
7 ment, the net profit after tax on the pharmaceutical side  
8 of the business is 5.5% in relation to sales; on all other  
9 sales, 5.4%.

10                   In case, Mr. Chairman, you should notice it  
11 in passing, the total net profit of that schedule of  
12 \$6,998,000 should compare with the figure of dividend and  
13 amount retained on Schedule 1, which in fact aggregates  
14 \$7,005,000, which is a difference of \$7,000 of the  
15 \$7,000,000 or one-tenth of one percent. These differences  
16 arise by reason of our bringing figures to the nearest  
17 thousands of dollars throughout.

18                   THE CHAIRMAN: The differential is one-tenth  
19 of one percent?

20                   MR. LITTLE: That is correct. Schedule 4  
21 attempts to bring out information having to do with  
22 research and development expenditures. All companies did  
23 not or were not able to answer each of these questions,  
24 so that I have indicated on the first column the number of  
25 companies involved in each answer.

26                   I think one of the significant things here  
27 perhaps, and this was referred to in the earlier evidence  
28 of Mr. Conder, that there is a substantial amount of  
29 research and development done by foreign parent corpora-  
30 tions which could be considered properly applicable to



1 selling and advertising expense, and so on.

2 Although the schedule segregates figures as

3 between human pharmaceutical sales and all other sales and

4 shows relationship of the net profit after tax on the pharma-

5 ceutical business to the net profit after tax on the other

6 business. As you will see from the last line in the schedule,

7 namely, the net profit after tax on the pharmaceutical sales

8 of the business is 5.2% in relation to sales; on all other

9 sales, 5.4%.

10 In case, Mr. Chairman, you should desire to

11 in passing, the total net profit on sales is \$1,000,000

12 \$6,000,000 should compare with the figure of \$1,000,000

13 amount reported on schedule 1, which is \$1,000,000

14 \$7,000,000, which is a difference of \$7,000,000

15 \$7,000,000 or one-tenth of one percent. These differences

16 arise by reason of our bringing figures to the nearest

17 thousands of dollars throughout.

18 THE CHAIRMAN: The difference is one-tenth

19 of one percent?

20 MR. LITTLE: That is correct, Mr. Chairman.

21 attempts to bring the information bearing on the

22 research and development expenditure. A comparison of

23 not or were not able to answer each of these questions.

24 so that I have indicated on the first column the number of

25 companies involved in each answer.

26 I think one of the significant things here

27 perhaps, and this was referred to in the earlier evidence

28 of Mr. Conder, that there is a substantial amount of

29 research and development done by foreign-owned companies

30 which could be considered properly applicable to



1 Canadian sales volume, but which is not necessarily charged  
2 to the Canadian corporation.

3 If you would look at Question No. 1 of the  
4 total cost indicated by 35 companies for medical research  
5 and development of \$4,163,000 for 1960, \$3,349,000 was  
6 actually spent by those companies in Canada, and \$801,000  
7 was spent elsewhere and charged by parent companies to  
8 Canada. If the answers to the questions had been put down  
9 with absolute accuracy in every case, the figure of  
10 \$3,349,000 and the figure of \$801,000 should total a total  
11 of \$4,163,000. Actually it is a total of \$4,150,000  
12 instead of \$4,163,000.

13 THE CHAIRMAN: Is there any significance  
14 that might reasonably be arrived at, while the companies  
15 are doing the bulk of their business in Ontario that they  
16 are not principally located here, or at least their  
17 research facilities are not located here?

18 MR. LITTLE: If I might just go back to  
19 Schedule 2. You refer to the bulk of the business being  
20 done in Ontario. Actually in 1960 35.2% of the total sales  
21 volume was done by the companies in Ontario. We will see  
22 in a moment or two the expenditures on fixed plant and so  
23 on which bear about the same relationship as between  
24 Ontario and the rest of Canada, but what you say is  
25 perfectly true, that 35% of that total is not spent in  
26 Ontario on research.

27 However, going on to Part 2, 30 out of 37  
28 companies replied that their foreign parent or affiliate  
29 companies make available research and development work  
30 which is not in fact charged to Canada, and the estimate





1 If you would like to see a list of the  
2 total cost indicated by 32 companies for medical research  
3 and development of \$4,100,000 for 1975, \$4,100,000  
4 actually spent by those companies in Ontario, and \$10,000  
5 as spent elsewhere and charged by parent company to  
6 Ontario. If the answers to the questions had been given  
7 with absolute accuracy in every case, the figure of  
8 \$3,349,000 and the figure of \$4,100,000 should have been  
9 of \$4,100,000. Actually it is a total of \$1,100,000  
10 instead of \$4,100,000.

11 THE CHAIRMAN: Is there any significance  
12 that might reasonably be arrived at, while the companies  
13 are doing the bulk of their business in Ontario that they  
14 are not principally located here, or at least their  
15 research facilities are not located here?

16 Mr. Lillian: If I might just go back to  
17 the question I. You refer to the bulk of the business being  
18 done in Ontario, actually in 1975 27.5% of the total sales  
19 volume was done by the companies in Ontario. We will see  
20 in a moment or two the expenditures in 1975 first and  
21 on which bear about the same relationship as between  
22 Ontario and the rest of Canada, but what you are  
23 perfectly sure, that 27.5% of that total is not spent in  
24 Ontario on research.

25 However, going on to point 2, 30 out of 32  
26 companies replied that their research was on activities  
27 which is not in fact charged to Canada, and the cost was



1 made by those companies of the amount of expenditures  
2 which might be properly applicable to Canada but which are  
3 not so charged was \$5,388,000.

4 MR. BRYDEN: Couldn't the same thing be said  
5 about promotional expenditures? That there would be promo-  
6 tional work done in the United States that would carry over  
7 into Canada?

9 MR. LITTLE: Any answer I could give of  
10 course would be pure conjecture because I did not ask the  
11 question. I didn't think to ask the question. My guess  
12 would be that you are right, that there is a carry over,  
13 but I wouldn't know what it would be.

14 MR. BRYDEN: Canadian doctors read American  
15 Medical Journals, but I was thinking of public relations.  
16 Articles in Reader's Digest, for example, about some new  
17 wonder drugs.

18 MR. BOYER: You think the Reader's Digest  
19 is an American magazine?

20 MR. BRYDEN: I think perhaps articles that  
21 get into it are perhaps induced by public relations in the  
22 United States.

23 MR. LITTLE: Well then, Item 3, Mr. Chairman,  
24 is simply expressing as a percentage the total of those  
25 research expenditures, both those which are in fact charged  
26 or borne by the Canadian companies, taken together with  
27 the amount spent on their behalf but not charged, and  
28 expressing that total as a percentage to the sales volume,  
29 and it amounts to 8.3%.

30 Question 4 indicates the total spent on



1 made by these companies of the amount of expenditures  
2 which might be properly applicable to Canada but which are  
3 not so charged was \$2,818,000.  
4 MR. BRYDEN: Could it be said that the same thing is said  
5 about promotional expenditures? That there would be promo-  
6 tional work done in the United States that would carry over  
7 into Canada?

8 MR. LITTLE: Any answer I could give of  
9 course would be pure conjecture because I did not ask the  
10 question. I didn't think to ask the question. My guess  
11 would be that you are right, that there is a carry over,  
12 but I wouldn't know what it would be.

13 MR. BRYDEN: Canadian doctors read American  
14 Medical Journals, but I was thinking of public relations,  
15 articles in medical journals, for example, about some new  
16 wonder drugs.

17 MR. BOYER: You think the research is done  
18 as an American research?  
19 MR. BRYDEN: I think perhaps articles that  
20 get into it are perhaps induced by public relations in the  
21 United States.

22 MR. LITTLE: Well, I don't know if the Canadian  
23 is simply exporting as a company, the total of the  
24 research expenditures, both those which are in fact charged  
25 or borne by the Canadian companies, taken together with  
26 the amount spent on their behalf but not charged, and  
27 expressing that total as a percentage to the sales volume,  
28 and it amounts to 3.2%.

29 Question 4 indicates the total spent on





1 clinical investigation work. No. 5, research and develop-  
2 ment grants to various institutions. No. 6, number of  
3 persons who spent all or part-time on research and develop-  
4 ment, and a classification of their qualifications, their  
5 degrees and finally, Item 7, the investment in research  
6 and development laboratories located in Canada, \$5,180,000.

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1 clinical investigation work, No. 8, research and development  
 2 more grants to various institutions, No. 9, number of  
 3 persons who spent all or part-time on research and develop-  
 4 ment, and a classification of their qualifications, their  
 5 degrees and finally, item 7, the investment in research  
 6 and development laboratories located in Canada, \$5,150,000.

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1 THE CHAIRMAN: Is that annual outlay or is  
2 there any capital in that?

3 MR. LITTLE: That is the total cost of  
4 research and development, capital equipment to date. That  
5 is the present investment standing on the balance sheet of  
6 the member companies added together amounts to \$5,180,000.  
7 Schedule 5 gives the same sort of figures over what the  
8 industry refers to as quality control expense and as  
9 indicated in the parenthetical note these figures include  
10 the costs of operating quality control laboratories and  
11 the cost of testing in outside laboratories and do not  
12 include the cost of inspection staff and other techniques  
13 designed to control the manufacturing process required to  
14 produce a quality product.

15 This distinction was made clear in the  
16 questionnaire itself because one must assume that in  
17 producing a product of this sort that the whole manufactur-  
18 ing process itself must have inherent in it techniques  
19 and tests and checks to control quality. This is the  
20 laboratory quality control testing that is referred to  
21 here.

22 Once again, the total amount spent by 35  
23 companies \$1,555,000., of which \$481,000. spent in Ontario,  
24 \$1,340,000 in Canada as a whole and \$230,000. charged  
25 to Canadian companies by parent affiliates, or affiliates.  
26 The total cost of quality control in relation to the total  
27 production cost of those 35 companies is 4.2%, and item  
28 3 gives the number which are employed in Canada on this  
29 class of work and their qualifications and the final  
30 figure the estimate of the cost of the quality control lab and





THE CHAIRMAN: In this special committee...

there any capital in credit

MR. LITTLE: That is the fiscal year of

research and development, capital equipment, etc.

is the present investment in the business of

the member companies added together amounts to \$1,500,000.

Schedule 2 gives the same sort of figures over what the

industry refers to as quality control expenses and as

indicated in the parenthetical note those figures include

the costs of operating quality control laboratories and

the cost of testing in outside laboratories and do not

include the cost of inspection staff and other techniques

designed to control the manufacturing process required to

produce a quality product.

This distinction was made clear in the

questionnaire itself because one must assume that in

producing a product of this sort that the whole manufacturing

ing process itself must have inherent in it techniques

and tests and checks to control quality. This is the

laboratory quality control testing that is referred to

here.

Once again, the total amount spent by 32

companies \$1,500,000, of which \$400,000 is spent in Ontario

\$1,340,000 in Canada as a whole and \$360,000, charged

to Canadian companies by parent affiliates or subsidiaries.

The total cost of quality control in relation to the total

production cost of these 32 companies is 4.3%, and from

3 gives the number which are employed in Ontario, 2,000.

There is also their qualifications and the final



1 equipment in Canada and in Ontario.

2 Schedule 6 produces the answers to a number  
3 of miscellaneous questions that appeared throughout the  
4 earlier transcripts. Question number 1 the analysis of  
5 where the financial control of the 40 member companies  
6 lies and as indicated 23 in the United States, 8 in Canada,  
7 4 in the United Kingdom, 4 in Switzerland and 1 in Sweden.

8 Questions were asked as to the expense of  
9 manufacturing in Canada as opposed to simply bringing in  
10 goods ready for sale. Of the 40 companies 38 report that  
11 they manufacture in Canada under their own name. Two do  
12 not manufacture in Canada. We then analysed the sales  
13 volume, the total sales volume of those four companies  
14 and we find that 75% of the sales volume represented goods  
15 manufactured and packaged on their premises in Canada.  
16 5.8% manufactured or packaged by other Canadian companies;  
17 11.8% manufactured outside Canada but brought in and  
18 packaged in Canada. 6.7% manufactured and packaged outside  
19 of Canada.

20 Item 3 deals with returned merchandise.  
21 Questions were asked about the extent of returns on human  
22 pharmaceuticals and the extent to which the returned  
23 merchandise could be reused. 38 companies replied indicating  
24 returned sales of pharmaceutical of \$3,377,000. or 3.2%  
25 of sales as compared with return of other types of sales  
26 which amounted to 1.6% of those other sales. Of the  
27 amount returned, \$3,377,000., 40% or \$1,465,000. considered  
28 not reusable. That is 40% of the merchandise returned or  
29 1.2% of the total sales.

30 Questions were asked as to whether any of

Schedule 6 produces the answers to a number

earlier characteristics. Question number 1 the analysis of

where the financial control of the 40 member companies

lies and as indicated 23 in the United States, 1 in Canada,

4 in the United Kingdom, 4 in Switzerland and 1 in Sweden.

Questions were asked as to the expense of

manufacturing in Canada as opposed to simply importing in

goods ready for sale. Of the 40 companies 38 report that

they manufacture in Canada under their own name. Two do

not manufacture in Canada. We then analysed the sales

volume, the total sales volume of those four companies

and we find that 75% of the sales volume represented goods

manufactured and packed on their premises in Canada.

2.6% manufactured or packaged by other Canadian companies;

11.8% manufactured outside Canada but brought in and

packaged in Canada, 6.7% manufactured and packaged outside

of Canada.

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Questions were asked about the extent of returns on a year

pharmaceuticals and the extent to which the returned

merchandise could be reused. 38 companies replied indicating

returned sales of pharmaceuticals of \$3,377,000 or 2.2%

of sales as compared with return of other types of sales

which amounted to 1.6% of those other sales. Of the

not reusable. That is 40% of the merchandise returned or

Questions were asked as to whether any of





1 the companies operate retail outlets and of the 40 companies,  
2 39 replied that they did not and one company indicated  
3 that it operated three separate retail outlets.

4 Questions were directed about the cost of  
5 packaging and 37 companies reported that their total  
6 packaging cost, including labour, materials, and so on  
7 amounted to \$11,420,000. The sales by those 37 companies  
8 was \$101,983,000.

9 Number 6 indicates the total selling and  
10 advertising expense. That also, Mr. Chairman, of course  
11 is the figure that appears under the human pharmaceuticals  
12 column on schedule 3 which was the breakdown of profit  
13 and loss on human pharmaceuticals; at \$31,528,000. and  
14 then the other items represents specific classes of  
15 expenditure which are included in that figure: Amount  
16 spent on medical exhibits and space; medical and pharma-  
17 ceutical journal advertising; direct mail advertising,  
18 amount spent on samples, donations and contributions and  
19 they also include the cost of the representatives or  
20 detailmen who are dealing with that item.

21 Questions were raised as to the number of  
22 detailmen and the total cost, and the 40 companies replied  
23 that there were 1,576 such employees of whom approximately  
24 one-third, or 560 were employed or located in Ontario.  
25 The total remuneration of the detailmen amounted to  
26 \$10,375,000., which is averaged at \$6,580. per man and  
27 the cost of travelling at \$4,842,000. or an average of  
28 \$3,070. per man per annum.

29 The companies replying also were asked to  
30 indicate the extent to which the detailmen might be engaged



... packaging cost, including labor, materials, and so on  
... amounted to \$11,400,000. The sales by these 37 companies  
... was \$101,900,000.

... and  
... advertising expense. That is, Mr. G. H. ...  
... is the figure that appears under the item "pharmaceuticals"  
... column on schedule 3 which was the preparation of pills  
... and loss on pharmaceuticals, at \$11,400,000, and  
... then the other items represent specific classes of  
... expenses which are included in that figure. Among  
... spent on medical expenses and space, medical and laboratory  
... medical journal advertising, direct mail advertising,  
... amount spent on samples, donations and contributions and  
... they also include the cost of the representation of  
... detailmen who are dealing with that item.

... Questions were raised as to the number of  
... detailmen and the total cost, and the 37 companies replied  
... that there were 1,576 such employees of whom approximately  
... one-third, or 500 were employed or located in Great Britain.  
... The total remuneration of the detailmen amounted to  
... \$10,375,000, which is averaged at \$6,500 per man and

... the extent to which the detailmen were employed



1 in direct selling activities as well as any promotional  
2 work. The time spent varied considerably from company to  
3 company but for those companies whose men did both selling  
4 and detail work, the average amount spent on detailing  
5 fell between 40 and 50 per cent. Actually, however, if  
6 all the companies are included, the figures worked out  
7 precisely company by company, the weighted average for the  
8 39 companies who replied indicates a figure of 36% of the  
9 total time which would be spent on direct selling as  
10 opposed to the balance spent on detailing.

11 THE CHAIRMAN: Now, Mr. Little, this direct  
12 selling, does that mean direct to a retail druggist or  
13 does that mean direct to a consumer, to a patient?

14 MR. LITTLE: I understand it means, Mr.  
15 Chairman, the function of supervision of the field force,  
16 direct calling upon the druggists, on the wholesale houses,  
17 and the like, as compared with calls made upon doctors in  
18 their offices.

19 THE CHAIRMAN: Could we exclude from that  
20 definition, there is no direct contact -- I just make this  
21 by way of exclusion -- there is no direct contact between  
22 the detailmen and the patient or consumer?

23 MR. LITTLE: Not that I am aware of sir.

24 Number 8 shows the total cost or investment  
25 in physical plant for the 39 companies that replied to  
26 this question. Number 2 shows the amount that is located  
27 in Ontario which is very close to the 35%. That is also  
28 indicated by the sales volume in the Province. The third  
29 item simply shows the amount that was spent in Canada to  
30 increase those facilities during 1960, \$2,987,000.





in direct selling activities as well as any promotional work. The time spent varied considerably from company to company but for those companies where men did both selling and detail work, the average amount spent on detailing fell between 40 and 50 per cent. Actually, however, all the companies are included, the figures worked out by company by company, the weighted average for the 39 companies who replied indicates a figure of 44% of the total time which would be spent on direct selling as opposed to the balance spent on detailing.

THE CHAIRMAN: Now, Mr. Little, does direct selling, does that mean direct to a retail dealer or does that mean direct to a consumer, to a customer?

MR. LITTLE: I understand it means, Mr. Chairman, the dealer or consumer of the product, and the like, as contrasted with the man who carries it for the dealer.

THE CHAIRMAN: Could we explain from that definition, there is no direct contact -- I just make one by way of explanation -- where is the direct contact between the detailer and the patient or consumer?

MR. LITTLE: Not that I am aware of, Mr. Chairman. Number 8 shows the total cost of the product in physical plant for the 39 companies that replied to this question. Number 5 shows the amount paid as interest on capital which is very small for the 39 companies. It is indicated in the same column in the following table that 14% highly about the amount paid for interest on capital. The balance about taxation which is very small.



1 Our final figure shows the amount included  
2 in the above figures which represent investment in labora-  
3 tories and research facilities.

4 The final question deals with normal trade  
5 discounts on sales of pharmaceuticals and this was  
6 analysed as between sales to hospitals, governments,  
7 wholesalers and druggists and we recapped the answers as  
8 best we could into classifications to show the pattern.  
9 For example, in item 1 sales to hospitals, 35 companies  
10 of the 37 indicated that they do sell to hospitals. 4  
11 of them quoted net prices. One allows a trade discount  
12 of less than 40%. 18 allow trade discount of exactly 40%;  
13 12 allow trade discount of over 40%, mostly in the range  
14 of 40 to 50 per cent.

15 On sales to governments, 36 companies  
16 replying, 15 indicated special prices by quote or tender;  
17 2 allow a discount of less than 40%; 8 allow a discount  
18 of exactly 40%; 11 allow a discount of over 40% up to  
19 50%.

20 On sales to wholesalers, 37 companies reply-  
21 ing, 3 allow discount of less than 40%; 8 allow discount  
22 of exactly 40%; 25 allow discount of over 40% up to 50%;  
23 one allows discount of over 50%.

24 On sales to druggists, 31 companies replying,  
25 24 allow discount of exactly 40%, seven allow discount of  
26 over 40% up to 50%.

27 In addition to that, on the replies to the  
28 questionnaire certain companies indicated that in addition  
29 to this standard pattern they might, in certain cases,  
30 allow volume discount or special discount on special



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of the 3) indicated that they do sell to hospitals.  
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of less than 40%. 18 allow trade discount of exactly 40%.  
19 allow trade discount of over 40%, mostly in the range  
of 40 to 50 per cent.  
20 sales to government, 26 companies  
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21 allow a discount of less than 40%. 22 allow a discount  
of exactly 40%; 23 allow a discount of over 40% up to  
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In addition to that, on the basis of the  
of this standard pattern they might, in certain cases,  
allow volume discount or special discount on some





1 products. There was no further information given to us  
2 that would allow us to amplify the reply.

3 Now, that completes the scheduled informa-  
4 tion, Mr. Chairman. Just one other thing that I drew  
5 from the individual replies in analysing them. The question  
6 was asked in the earlier hearing about the range of the  
7 profits. While the average for the total number of companies  
8 might be 6%, as it was in 1959, or 5.5 as it is for 1960,  
9 that this might be the result of one or two very large  
10 companies with very large profit and a number of others,  
11 but actually the pattern for 1960 showed of the 40  
12 companies 12 showed a profit in relation to sales of less  
13 than 4.5%; eight companies showed a profit of more than  
14 4.5 less than 7%; six companies showed a profit of more  
15 than seven less than ten; seven companies showed a profit  
16 of over ten and seven companies actually lost money in  
17 1960.

18 THE CHAIRMAN: How many lost money?

19 MR. LITTLE; Seven, sir.

20 THE CHAIRMAN: Out of?

21 MR. LITTLE: That adds to 40. 12 less than  
22 4.5; 8, 4.5 less than seven; six companies showed a  
23 profit of more than 7 less than 10; seven companies showed  
24 a profit over ten and seven companies actually lost money.  
25 This should total 40.

26 MR. BRYDEN: Do you have any breakdown with  
27 regard to net sales? I take it with regard to the  
28 human pharmaceuticals the average was something over two  
29 and a half million dollars for the 40 companies. Have  
30 you any breakdown as to any indication of the range as to



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Now, that completes the recorded information.

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profit of more than 7 less than 10; seven companies showed

a profit over ten and seven companies actually lost money.

This should total 40.

MR. HYDE: Do you have any breakdown with

regard to net sales? I have it with regard to the

human pharmaceuticals the average was something over two

and a half million dollars for the 40 companies. Have



1 what was the smallest sales, at least the sales for the  
2 smallest company and for the largest?

3 MR. LITTLE: No, I haven't sir. I have no  
4 figures prepared. I can tell you this though that of the  
5 companies replying, for example, it was clear from their  
6 classifications, their fee classification that their sales  
7 were \$200,000. or less. It would also be clear from the  
8 fact that we were able to find six companies accounting  
9 for 40% of the sales volume; that these six companies  
10 must have had some sales of human pharmaceuticals of  
11 something in the neighbourhood of forty million from that.

12 MR. BRYDEN: So it would be about seven  
13 million apiece? On the average of seven million?

14 MR. LITTLE: That is quite right but I have  
15 no figures company by company.

16 MR. BOYER: Mr. Chairman, the report gives  
17 an indication of one matter which is somewhat different  
18 from my understanding of it previously. I understood that  
19 one of the costs, or one of the reasons that sends drug  
20 costs up, or at least to the public is that the druggist  
21 must keep on hand a stock of preparations which they may  
22 not sell for years or which perhaps go out of date with  
23 the passing of time. I remember asking one witness the  
24 question as to how much of this might be returnable and  
25 then if it was returnable could the preparation be used;  
26 could they use these chemicals and as I recall it the  
27 answer was that there was very little that could be used  
28 but if I read this correctly, I would say that 60% of what  
29 is returned might be reused.

30 THE CHAIRMAN: You are referring to ---



What was the earliest sales, at least the sales for the

MR. LITTLE: No, I haven't seen. I have an

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companies replying, for example, it was clear from their

classifications, their the classification that their sales

were \$200,000 or less. It would also be clear from the

fact that we were able to find six companies accounting

for 40% of the sales volume: that there six companies

must have had some sales of human pharmaceuticals of

something in the neighborhood of forty million from 1940.

MR. SPYDER: So it would be about seven

million apiece? On the average of seven million?

MR. LITTLE: That is quite right but I have

no figures company by company.

MR. SPYDER: Mr. Chairman, the report gives

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not sell for years or which perhaps go out of date with

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question as to how much of this might be returned and

then if it was returnable could the preparation be used?

could they use these chemicals and as I recall it the

but if I read this correctly, I would say that 60% of what

is returned might be reused.

THE CHAIRMAN: You are



1 MR. BOYER: Schedule 6, item 3 which shows  
2 sales volume of merchandise returned which was reusable  
3 \$1,465,000. or 40% of returned merchandise. I take it  
4 then 60% is usable.

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1 MR. HUME: If I could just interject; the  
2 gentleman was referring to the evidence that I recall was  
3 from a pharmacist and he perhaps would not know what per-  
4 centage of the goods he returned was re-usable. He might  
5 have been in error as to his comments. I would suggest  
6 this document at least as far as it represents the 40  
7 companies, you can take 60% is re-usable. A pharmacist  
8 would not know how much the manufacturer could re-use and  
9 how much would go down the drain.

10 MR. BOYER: I think that is an interesting  
11 point.

12 MR. LITTLE: I, of course, asked no question  
13 nor do I assume from the nature of the article that 60%  
14 might have been re-usable, but I would not assume that it  
15 could be re-used without being re-worked or re-packaged.

16 MR. BOYER: It was not an entire loss?

17 MR. LITTLE: Quite right.

18 THE CHAIRMAN: It would be a bit awkward  
19 trying to use it in some other industry and handing a cow  
20 a small pill and expecting some results.

21 MR. RICE: Of the companies reporting did  
22 they include both private and public companies?

23 MR. LITTLE: Well, if you mean private as  
24 opposed to public in the legal corporate sense, I would not  
25 know. If you mean private in the sense of being wholly  
26 owned by a foreign parent company which would make it a  
27 closely held company, the answer would be yes, that it  
28 does include such companies. Whether or not the parent  
29 company in itself is a public company or closely held by  
30 one family I would not know.





1 THE CHAIRMAN: I suppose, having in mind the  
2 legal problems which are raised when you refer to subsi-  
3 diaries owned by American companies in particular, one  
4 difference between public and private may not have the same  
5 significance as that which exists in this jurisdiction. I  
6 suppose that is what Mr. Rice is really getting at, out of  
7 those companies, how many of them publish their statements.

8 MR. LITTLE: Oh, I have no idea - no idea.

9 THE CHAIRMAN: Mr. Hume?

10 MR. HUME: We have a list, of course, of the  
11 40 companies and it would be possible to check them against  
12 the stock market listings. There are some, are there not?  
13 There are some, I am advised, that are public companies  
14 listed on the Stock Exchange and we can supply a list of  
15 the companies if it is of any use to the Committee. This  
16 can be obtained if the Chairman so directs.

17 MR. BRYDEN: I think it is very few. If the  
18 Financial Post industrials is any guide, there are very  
19 few firms shown there.

20 MR. HUME: We would have to check it against  
21 the Stock Exchange. Mr. Conder, do you know the number of  
22 companies?

23 MR. CONDER: No, I do not know the number off-  
24 hand, but as Mr. Bryden pointed out it would be comparatively  
25 small primarily because all subsidiary corporations will  
26 include their sales of their Canadian operations in with  
27 their parent corporation reports.

28 MR. WHITE: I think Mr. Hume offered to give  
29 us the list of 40 companies.

30 THE CHAIRMAN: You will do that, will you





THE CHAIRMAN: I suppose, having in mind the

legal problems which are raised when you refer to Amer-

ican companies owned by American companies in particular, and

the difference between public and private may not have the same

significance as that which exists in this jurisdiction. I

suppose that is what Mr. Price is really getting at, and of

those companies, how many of them publish their statements?

MR. LITTLE: Oh, I have no idea - no idea.

THE CHAIRMAN: Mr. Little?

MR. HUNTER: We have a list, of course, of the

40 companies and it would be possible to check them against

the stock market listings. There are some, and there are

there are some, I am satisfied, that are public companies

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MR. LITTLE: I think it is very low. In the

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few firms shown there.

MR. HUNTER: We would have to check it against

the Stock Exchange. Mr. Gordon, do you know the number of

companies?

MR. GORDON: No, I do not know the number of

companies, but I think it is very low.

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include their sales of their Canadian operations in with

their parent corporation reports.

MR. WHITE: I think Mr. Hunter offered to give

us a list of 40 companies.

THE CHAIRMAN: You will do that, will you?



1 not, Mr. Hume?

2 MR. HUME: Yes, sir. I do not have that  
3 with me but this can be sent up directly without any delay.

4 MR. LITTLE: I would like to add by way of  
5 explanation that I am not trying to be difficult, I do not  
6 know which 40 companies are involved and this was part of  
7 the arrangement under which the information was sent to me.

8 THE CHAIRMAN: I appreciate that. Looking at  
9 Schedule 6 you see 26 American companies and this will show  
10 an overall or international world-wide picture, is that not  
11 a correct conclusion?

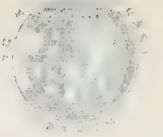
12 MR. LITTLE: I think that is a reasonable  
13 assumption.

14 MR. RICE: Having regard to the terms on  
15 which your report is based would it be your opinion that  
16 it is a good representative sample of manufacturing in  
17 Canada represented in this report?

18 MR. LITTLE: Well, I would say that having  
19 regard to the replies that I got that it is an exception-  
20 ally large representation of manufacturers of pharmaceuti-  
21 cals but I would have no way of comparing it with returns.

22 MR. RICE: No, what I mean was, in the pharma-  
23 ceutical industry is it a good representative sample of the  
24 Canadian manufacturing?

25 MR. LITTLE: Well, I indicated in my opening  
26 remarks that we have included in this sample 95% to 97%  
27 of the sales volume of the member companies and then if it  
28 is reasonable to compare his sales volume with the Dominion  
29 Bureau of Statistics it would appear to me that the 40  
30 companies replying also represent about 90% of the total



MR. HUNTER: Yes, sir. I do not have that

with me but this can be sent up directly without any delay.

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an explanation that I am not trying to be difficult. I do not

know which 40 companies are involved and this was part of

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schedule 6 you see 26 American companies and data which show

an overall or international world-wide picture, is that not

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MR. LITTLE: I think that is a reasonable

MR. RICE: Having regard to the facts on

which your report is based would it be your opinion that

it is a good representative sample of manufacturers in

Canada represented in this report?

MR. LITTLE: Well, I would say that having

regard to the replies that I got that is an exception

to the large representation of manufacturers of other goods.

But I would have no way of comparing it with others.

MR. RICE: No, what I mean was, in the opinion

of the statistical industry is it a good representative sample of the

MR. LITTLE: Well, I indicated in my opening

remarks that we have included in this sample 95% to 97%

of the sales volume of the member companies and then it is

reasonable to compare his sales volume with the Dominion

statistics it would appear to me that the 40

companies which also represent about 90% of the total





1 industry in Canada. If those figures can be taken as a  
2 proper comparison I would say it is an exceptionally good  
3 sample of the industry in Canada.

4 MR. RICE: That is what I was trying to get  
5 at, the validity of the report. This has a good basis,  
6 has validity to it?

7 MR. LITTLE: I believe so.

8 MR. RICE: And having regard to the answers  
9 you received in compiling this report, would it be your  
10 opinion that the profits of direct manufacturers are either  
11 reasonable or unreasonable having regard to the cost of  
12 manufacture?

13 MR. LITTLE: Well, I assume that you are  
14 drawing my attention to the average result of the combined  
15 companies because seven companies did suffer a loss. I  
16 am sure you would take that to be an unreasonable result.  
17 I would agree by the same token there may be companies who  
18 are higher than 5.5 but it would be wrong to suggest - I  
19 mean, I am not an expert on what the average rate of return  
20 is by industry classification in this country but I must  
21 say as a bystander in the operation I was not surprised at  
22 5.5 on sales. That does not strike me as being an unusually  
23 high figure for an industry which I assume had some measure  
24 of risk attached to it.

25 MR. RICE: That is what I was getting at,  
26 you have a very wide background in accounting work and  
27 looking at companies and I think the Committee would be  
28 very interested in your opinion as to the profits here  
29 having regard to manufacture. I understand Mr. Ayers may  
30 have a question.



industry in Canada. If those figures can be taken as a proper comparison I would say it is an exceptionally good sample of the industry in Canada.

MR. RICE: That is what I was trying to say.

at the validity of the report. This has a good basis,

has validity to it?

MR. LITTLE: I believe so.

MR. RICE: And having regard to the average

of you received in compiling this report, would it be your

opinion that the profits of direct manufacturers are either

reasonable or unreasonable having regard to the cost of

manufacture?

MR. LITTLE: Well, I assume that you are

drawing my attention to the average result of the combined

companies because some companies did suffer a loss. I

am sure you would take that to be an unreasonable result.

I would agree by the same token there may be companies which

are higher than 5.5 but it would be wrong to suggest - I

mean, I am not an expert on what the average rate of return

is by industry classification in this country but I must

say as a taxpayer in the operation I was not surprised at

5.5 on sales. That does not strike me as being an unusual

high figure for an industry which I assume had some measure

of a very high cost of production.

MR. RICE: That is what I was getting at.

You have a very wide background in accounting work and

looking at companies and I think the Committee would be

very interested to hear what you have to say about the

costing system in manufacturing.

MR. RICE: Thank you.



1 MR. AYERS: I have not any question, there is  
2 only one point I would like to clarify. Perhaps Mr. Little  
3 can confirm it for the benefit of the Committee. It is a  
4 most interesting matter playing with statistics of this  
5 sort and I think it is a good comprehensive study and  
6 between Schedule 1 and Schedule 3 they put together some  
7 interesting figures. I would point out that certain care  
8 has to be exercised in putting them together. For instance,  
9 Item 5 on page 1 on excise tax is 6.2% on sales whereas it  
10 is 6.3% on Schedule 3 and I infer that this is cost over  
11 income that is needed for the percentage and some care  
12 would have to be exercised in making a compilation. That  
13 is a correct assumption?

14 MR. LITTLE: That is correct.

15 MR. AYERS: That answers my question.

16 MR. RICE: I think Mr. Little has come out  
17 with a good comprehensive report.

18 MR. FULLERTON: I would like to ask Mr.  
19 Little, referring to Schedules 2 and 3, Item 5, the cost  
20 of the manufactured goods, labour, etc., \$41,000,000  
21 roughly and selling and advertising, 31½ million dollars.  
22 Does that sound reasonable for a normal business cost to  
23 manufacture items spending 75% in selling and advertising?

24 MR. LITTLE: Well, I do not think that one  
25 can reasonably expect to select a normal relationship  
26 between selling and cost of goods and expect to find it  
27 turning up in industry as a whole. It is well known to  
28 all of us that certain products, soft drinks for instance,  
29 we might find a very much lower relationship of cost and  
30 production and very much higher relationship on selling







1 and advertising. I must say I would have expected in this  
2 industry a fairly high element of selling and advertising  
3 and promotional expenses.

4 MR. BRYDEN: Why?

5 MR. LITTLE: Because I would assume that there  
6 is a fairly high element of advertising required to bring  
7 the product to the attention of the public, the users.

8 MR. BRYDEN: Except the purpose of the adver-  
9 tising is not to bring it to the attention of the consumer,  
10 in fact, it is illegal to advertise most of these products  
11 directly to the consumer. It is an unusual industry in  
12 that sense that the promotion is all done to the medical  
13 profession which is a fairly small group or mainly done  
14 that way.

15 MR. HUME: If I may be of some assistance  
16 here; I do not know whether the Committee is ordering or  
17 has had a chance to see the evidence that has been taken  
18 before the Restrictive Trade Practices Commission, but if  
19 you do I would refer Mr. Bryden and others interested to  
20 look at the evidence of Mr. Antoft given on October 2nd  
21 in Montreal and the evidence of Mr. Thompson given in  
22 Toronto on either October 16th or October 17th. Mr.  
23 Antoft is a small manufacturer in Canada.

24 MR. BRYDEN: We had him here.

25 MR. HUME: And he indicated on that day in  
26 Montreal in cross-examination that the minute he stopped  
27 spending less than 30% of his sales dollars, his sales  
28 dropped radically and this was forced on him by the compe-  
29 tition.

30 MR. BRYDEN: He was here and it is my



and a meeting. I was very much interested in this

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1 recollection he was not happy with the situation but the  
2 situation in the industry forced it upon him and he had no  
3 option.

4 MR. HUME: I think that is so and Mr. Thomp-  
5 son said the same thing, but Mr. Antoft said it was an  
6 insidious disease. Perhaps you would be interested in  
7 looking at that again, October 2nd and October 16th and/or  
8 17th.

9 THE CHAIRMAN: I suppose we could go to  
10 another extreme because the medics industry bears a high  
11 proportion of advertising in its costs.

12 MR. LITTLE: Well, I have no direct knowledge  
13 but I would be surprised if they did not.

14 THE CHAIRMAN: I heard about a man last week  
15 who bought a whole shipload of goods and got them for  
16 nothing and his only cost was a charter hire of the ship  
17 to get them to this market so there the factor would be  
18 freight, in the terms in which we are discussing, the  
19 whole factor would be freight to the point of landing.  
20 Who is there to say what is reasonable and what is unrea-  
21 sonable?

22 MR. LITTLE: Well, I do not mean to be  
23 facetious but certainly in my experience throughout the  
24 years the people who are in the best position to decide  
25 what is reasonable and what is not are the people who make  
26 a product and have to face competition and sell it.

27

28

29

30





/hm

1 MR. BRYDEN: Well, there has been -- Mr.

2 Hume referred to the Restrictive Trade Practices Commission  
3 and certainly there are many instances, evidence from  
4 people who are on the receiving end of the promotion that  
5 think that it is quite unreasonable, the amount of promo-  
6 tion. It leads to many undesirable results including  
7 over-use of products and waste and so on. It is promotion  
8 directed to a specialized group who presumably ought to  
9 be able to draw proper conclusions from very simple  
10 advertising methods, simple statements as to what the  
11 product does and what its therapeutic value is. The  
12 advertising they are doing is not of that kind at all,  
13 or practically not that kind. Presumably the industry  
14 figures they are subject to the same sort of pressures as  
15 the public at large and we have a very flossy type of  
16 ad with a dramatized illustration, they think that will  
17 influence more than succinct information.

18 MR. HUME: Perhaps, Mr. Bryden ....

19 THE CHAIRMAN: It is like a doctor gaining  
20 the influence of patients by his adroit bedside manner.

21 MR. HUME: Mr. Chairman, I think the answer  
22 to Mr. Bryden may be, at least in part, according to Mr.  
23 Antoft, he said he would go broke if he didn't spend this  
24 amount of money so the doctors must be responding to it  
25 otherwise his experience would indicate it would be the  
26 opposite.

27 MR. BRYDEN: I would imagine industry is  
28 getting some results or they wouldn't be doing it. The  
29 thing I think that we have to consider it in proportion to  
30 the total implications of using normal huckstering methods





MR. BRYAN: Well, there has been --

and certainly there are many instances, evidence from people who are on the receiving end of the promotion that think that it is quite unreasonable, and some of them, it leads to many undesirable results including over-use of products and waste and so on. It is directed to a specialized group who presumably ought to be able to draw proper conclusions from very simple advertising methods, simple statements as to what the product does and what its therapeutic value is. They are doing a job of that kind as well. I personally and that kind. Presumably the industry figures they are exposed to the same sort of statistics as the public at large and we have a very busy type of ad with a dramatized illustration, they think that will

THE CHAIRMAN: It is like a doctor saying the influence of patients by the doctor's words. MR. BRYAN: Mr. Chairman, I follow the answer to Mr. Bryan may be, at least in part, according to Mr. Annot, he said he would go back if he didn't want this amount of money so the doctors that he responding to it otherwise his experience would indicate it would be the opposite.

MR. BRYAN: I would imagine industry is getting some results of why wouldn't it be doing so. The



1 in relation to specialized products of that kind. That,  
2 I think is the problem we are up against. Attention has  
3 been called many times both before this Committee and  
4 before the Restrictive Trade Practices Commission and  
5 before the Kefauver Committee.

6 THE CHAIRMAN: What is the difference between  
7 the huckstering type of advertising and the tactics of  
8 some political parties, selling ideas?

9 MR. BRYDEN: Except we are dealing in the  
10 realm of health. No one else in health -- the doctor  
11 doesn't advertise except possibly by a card. This is the  
12 one exception in the health field that old-fashioned  
13 advertising is used. I could quote you authority after  
14 authority in the medical field.

15 MR. HUME: Let us try to clear up that  
16 impression. I think, Mr. Bryden, having in mind the  
17 11,000 doctors in Canada, only about six appeared before  
18 the Restrictive Trade Practices Commission and some  
19 indicated this material they got was most interesting.

20 MR. BRYDEN: The ones most concerned were  
21 the ones specializing in some field, interested in the  
22 specialized pharmaceuticals. The others were concerned  
23 about the pressures used on doctors to decide if, in fact...

24 MR. HUME: This is a matter of argument or  
25 opinion.

26 MR. BRYDEN: It is a matter of opinion.

27 MR. HUME: When you have finished, Mr.  
28 Chairman, with Mr. Little, there was one or two additional  
29 questions and I have a very brief statement to read when  
30 you are through with Mr. Little.



in relation to specialized products of that kind. That, I think is the problem we are up against. Association has been called many times both before this Commission and before the Restrictive Trade Practices Commission and

THE CHAIRMAN: What is the difference between

the buckraking type of advertising and the tactics of some political parties, selling ideas? MR. BRYDEN: Except we are dealing in one realm of health. No one else in health -- the doctor doesn't advertise except possibly by a word. This is one one exception in the health field that old fashioned advertising is used. I could quote you authorities on authority in the medical field.

MR. HUME: Let us say it clearly and that impression. I think, Mr. Bryden, having in mind the 11,000 doctors in Canada, only about six appeared before the Restrictive Trade Practices Commission and were indicated that material they got was most interesting.

MR. BRYDEN: The ones most concerned were the ones specializing in some field, interested in the specialized pharmaceuticals. The others were concerned about the pressures used on doctors to advertise in the

MR. HUME: This is a matter of argument or MR. BRYDEN: It is a matter of opinion.

MR. HUME: When you have finished, Mr. Chairman, with Mr. Little, there was one or two additional questions and I have a very brief statement to read. You are through with Mr. Little





1 THE CHAIRMAN: Mr. Bryden, have you any  
2 questions you would like to ask the witness?

3 MR. BRYDEN: There is one or two I would  
4 like to ask. First of all I just want to verify that the  
5 conclusions that I have arrived at in my mind are correct.  
6 Returning to Schedule 1 am I correct in assuming that the  
7 profits after taxes are approximately seven million dollars  
8 or something like 12% of the net worth and that the  
9 profits before taxes would be about 24% in relation to net  
10 worth?

11 MR. LITTLE: That is correct.

12 MR. BRYDEN: Do you happen to know -- I am  
13 now referring to Schedule 6, item 1, do you happen to know  
14 how the six companies which I will call the leaders, the  
15 six who do 40% of the business, how they would break down  
16 in the classifications you have there as between control  
17 from different countries?

18 MR. LITTLE: No, I don't, sir. I could  
19 perhaps get it, but I haven't got it.

20 MR. BRYDEN: I would appreciate it. I find  
21 it rather interesting to know just how they fit into that  
22 particular classification.

23 MR. LITTLE: Mr. Chairman, might I explain  
24 that the basic documents, questionnaires and our summary  
25 sheets, the bulk of the work sheets have, in accordance  
26 with my original instructions, been destroyed at the time  
27 this was compiled. If any of my summaries will lead me  
28 to that information I will be glad to obtain it and submit  
29 it or have it submitted to the Association, sir.

30 MR. BRYDEN: Thank you. Turning now to





1 Schedule 3, the first two items relating to human  
2 pharmaceuticals, the selling and advertising expenses of  
3 human pharmaceuticals is 29.2% of net sales. Did you have  
4 any indication as to how those expenses were arrived  
5 among your specialty lines and sort of staple products  
6 those companies produce? The reason I asked this is because  
7 in the material prepared for the Restrictive Trade Practices  
8 Commission a representative, Wyeth, was quoted as saying  
9 25% of their promotion went into specialties and the  
10 remaining 75% went into the other lines. I was wondering  
11 if you had any information to indicate how that would be?

12 MR. LITTLE: No, I haven't.

13 THE CHAIRMAN: Mr. Fullerton?

14 MR. FULLERTON: No.

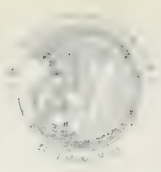
15 THE CHAIRMAN: Mr. Whitney? Mr. Trotter?

16 MR. TROTTER: One short question. The figure  
17 on research at 3.4% is lower than I thought it would be.  
18 Would you have any idea if the low figure is as the result  
19 of the fact that most of these companies were controlled  
20 outside of Canada and therefore mostly the research is  
21 done outside the country?

22 MR. LITTLE: Well, that is certainly a  
23 contributing factor because when you add together the  
24 amount that is spent in Canada and the amount that is  
25 spent outside and not charged to the Canadian companies  
26 the percentage then becomes 8.3% so that I would draw from  
27 that the conclusion that because of the expenditures being  
28 made on behalf of the company elsewhere it is not necessary  
29 to spend so much in Canada.

30 MR. TROTTER: Could the same be said for





Schedule 3, the first two items relating to human

pharmaceuticals, the selling and advertising expenses of

human pharmaceuticals is 29.4% of net sales. Did you have

any indication as to how those expenses were arrived

among your specialty lines and some of staple products

those companies produce? The reason I asked this is because

in the material prepared for the Restrictive Trade Practices

Commission a representative, Kuper, was quoted as saying

25% of their promotion went into specialties and the

remaining 75% went into the other lines. I was wondering

if you had any information to indicate how that would be

MR. LITTLE: No, I haven't.

THE CHAIRMAN: Mr. Holliston?

MR. HOLLISTON: No.

THE CHAIRMAN: Mr. Whitney, Mr. Trotter?

MR. TROTTER: One more question. The figure

on research as 3.4% is lower than I thought it would be.

Would you have any idea if the low figure is as the result

of the fact that most of these companies were controlled

outside of Canada and therefore mostly the research is

done outside the country?

MR. LITTLE: Well, that is certainly a

contrasting factor because when you add together the

amount that is spent in Canada and the amount that is

spent outside and not charged to the Canadian companies

the percentage then becomes 8.3% so that I would draw from

that the conclusion that because of the expenditures being

made on behalf of the company elsewhere it is not necessary

to have as much in Canada.

MR. TROTTER: Could the same be said for



1 advertising, actually more is spent on advertising only  
2 charged against the American head office.

3 MR. LITTLE: Well, I don't know. I was  
4 asked that question earlier and I can't reply. It could  
5 be, but I don't know.

6 MR. TROTTER: That is all.

7 THE CHAIRMAN: Mr. Boyer?

8 MR. BOYER: I was just going to ask can you  
9 really compare advertising with research?

10 MR. TROTTER: That is the question, I am  
11 curious whether they charge it. We have heard so much  
12 about high prices being the result of research, they put  
13 into research and 3.4% is awfully low compared to the  
14 talk we have heard about it.

15 MR. BOYER: What I mean, I think advertising  
16 is directed to the people who are going to buy the product.  
17 I don't think we could say the United States firms were  
18 spending that money directly in Canada if they had a  
19 subsidiary.

20 MR. BRYDEN: They are not spending research  
21 money in Canada at all. The statement is that their  
22 research expenses rebound to the benefit of Canadian  
23 companies.

24 MR. BOYER: Yes.

25 MR. TROTTER: The same proposition could  
26 be put to some of the advertising.

27 MR. BOYER: I can't quite accept that, but  
28 it is something to think about. Nothing more, Mr. Chairman.

29 MR. WHITNEY: Wouldn't it be true the  
30 research cost in the States would be reflected in the cost



advertising, actually more is spent on advertising only

concerned against the American head office.

MR. LITTL: Well, I don't know, I was

asked that question earlier and I can't recall. Is that

be, but I don't know.

MR. TROTTER: That is all.

THE CHAIRMAN: Mr. Boyer?

MR. BOYER: I was just going to ask one more

really compare advertising with research?

MR. TROTTER: That is the question, I am

curious whether they change it. We have heard no more

about high prices being the result of research, they put

into research and 3.4% is actually low compared to the

and we have heard about it.

MR. BOYER: What I mean, I think advertising

is directed to the people who are going to buy the product.

I don't think we could say the United States firms were

spending that money directly in Canada if they had a

subsidiary.

MR. TROTTER: They are not spending research

money in Canada at all. The agreement is that 50%

research expenses returned to the benefit of Canadian

MR. BOYER: Yes.

be put to some of the advertising.

MR. TROTTER: I can't quite escape that, but

MR. WAITER: Wouldn't it be the 50%

research cost in the States would be reflected in the cost





1 of the goods purchased from the United States or from the  
2 parent company? The research costs might be in the  
3 expense for the goods used in the manufacturing.

4 MR. LITTLE: Well, that is a possibility,  
5 but whether it is a possibility or the extent of it I  
6 couldn't say because while our questionnaire drew out the  
7 extent of the actual manufacture and packaging in this  
8 country I didn't ask and didn't think to ask whether or  
9 not the manufacturers are importing the raw material from  
10 parent companies in the States.

11 THE CHAIRMAN: Is there any item whereby  
12 we can ascertain the amounts paid for patents and licensing  
13 rights?

14 MR. LITTLE: Not from the figures that I  
15 have, Mr. Chairman.

16 MR. BRYDEN: There is one other point I would  
17 like to enquire about on schedule 3, item 3, excise and  
18 sales tax. In the case of human pharmaceuticals it is  
19 shown as 7% of the net sales. As I understand it the tax  
20 is actually 11%. Is the fact that this 7% is the overall  
21 picture, does that arise because hospitals don't pay the  
22 sales tax or what is the explanation?

23 MR. LITTLE: I don't know.

24 MR. HUME: Hospitals don't, in fact, pay  
25 excise taxes and their sales are included and it would  
26 be logical to assume that the reduction from 11 to 7 would  
27 be due to the tax exempt hospitals.

28 THE CHAIRMAN: Is there any comparable tax  
29 in the United States to our so-called Canadian tax?

30 MR. HUME: No tax comparable to the Federal



of the goods purchased from the United States or from the  
parent company. The research costs might be in the  
expense for the goods used in the manufacturing  
MR. LITTLE: Well, that is a possibility,  
but whether it is a possibility or the extent of it I  
couldn't say because while our position is that we are  
extent of the actual manufacture and packaging in this  
country I didn't ask and didn't think to ask whether or  
not the manufacturers are including the tax in their price  
parent companies in the States.

THE CHAIRMAN: In that case, then, whether  
we can ascertain the amount paid for patents and royalties

MR. LITTLE: Now from the figures that I  
have, Mr. Chairman.

MR. BRYDEN: There is one other point I would  
like to enquire about on schedule 3, item 2, excise and  
sales tax. In the case of human pharmaceuticals it is  
shown as 7% of the net sales. As I understood it the tax  
is actually 14%. Is the fact that sales 7% is the overall  
figure, does that arise because hospitals don't pay the  
sales tax or what is the explanation?

MR. LITTLE: I don't know.  
MR. BRYDEN: Hospitals don't, in fact, pay  
excise taxes and their sales are included and it would  
be logical to assume that the reduction from 14 to 7 would  
be due to the tax exempt hospitals.

THE CHAIRMAN: Is there any comparable tax  
in the United States to our so-called Canadian tax?  
MR. HUBBARD: No tax comparable to the Canadian



1 Sales Tax. There may be some State sales taxes of which  
2 I have no knowledge. There is no federal overall tax as  
3 we have here.

4 THE CHAIRMAN: Is Mr. Little in a position  
5 to talk to the Committee about sale price levels in Canada  
6 as against those existing in the United States in similar  
7 markets?

8 MR. LITTLE: No, I am not, sir.

9 THE CHAIRMAN: Is there someone who will  
10 be available on that subject, Mr. Hume?

11 MR. HUME: This, not having come up before...

12 THE CHAIRMAN: It was before.

13 MR. HUME: We weren't asked for it. I  
14 think there was some information filed in our submission  
15 at the request of the Restrictive Trade Practices  
16 Commission. I don't have that with me. We could look it  
17 up.

18 THE CHAIRMAN: Do you have any officer of  
19 the Association that could talk about it?

20 MR. HUME: There are some companies who will  
21 be here later with their own counsel who may be prepared  
22 to talk about it. I don't think we have any figures in  
23 the Association. I could check and find out if they are  
24 available.

25 THE CHAIRMAN: Are you telling the Committee  
26 your Association has no information or knowledge about the  
27 effect of sales tax on the selling prices of pharmaceuticals  
28 we are considering in Canada as exempt in the United  
29 States?

30 MR. HUME: Oh, yes sir. I am sorry, I thought





1 Sales Tax. There may be some State taxes of which

2 I have no knowledge. There is no Federal income tax in

3 we have here.

4 THE CHAIRMAN: Is Mr. Little in the room?

5 to talk to the Committee about this issue in Canada

6 as against those existing in the United States in similar

7 matters?

8 MR. LITTLE: No, I am not, sorry.

9 THE CHAIRMAN: Is there anyone else who will

10 be available to talk about this matter?

11 MR. HUNT: This was covered in the report.

12 THE CHAIRMAN: It was covered.

13 MR. HUNT: We were asked for it, I

14 think there was some information filed in our committee

15 as the request of the Executive Trade Practices

16 Commission. I don't have that with me. We could look it

17 up.

18 THE CHAIRMAN: Do you have any copies of

19 the Association that could talk about this?

20 MR. HUNT: There are some committees who will

21 be here is it with their own counsel was any in present?

22 I think about it. I don't think we have any figures in

23 the Association. I could check and find out if they are

24 available.

25 THE CHAIRMAN: Are you telling the Committee

26 your Association and is it known to the knowledge of the

27 effect of sales tax on the selling prices of the commodities

28 we are considering in Canada as compared to the United States?

29 That's all.

30



1 you were asking whether I knew what the figures were. In  
2 most cases where the prices are comparable in the States  
3 those prices without tax is 11% higher here because of the  
4 sales tax. There are products that sell in the United  
5 States -- Mr. Conder perhaps knows more about it than I,  
6 but from what I have heard there are products the prices  
7 of which, the basic price is the same in the United  
8 States as in Canada and with the adding of the 11% sales  
9 tax, the Canadian price becomes 11% higher. Is that not  
10 so?

11 MR. CONDER: That is correct.

12 MR. HUME: Mr. Conder indicates my statement  
13 is correct.

14 THE CHAIRMAN: Well, Mr. Conder -- excuse  
15 me, Mr. Hume. Mr. Conder, are there any products in this  
16 field, in the category in which we are interested which  
17 are sold in both the United States and Canada where they  
18 are sold cheaper in Canada?

19 MR. CONDER: Yes sir, there are. The Green  
20 Book produced for the Restrictive Trade Practices Commission  
21 contained in one section a list of 69 products which are  
22 sold in Canada and in the United States and which were  
23 comparable because they were in the same dosage form and  
24 contained the suggested prices of these items. I don't  
25 recall the exact figures now, but at least 20 of those,  
26 20 to 30 were lower in price in Canada than they were in  
27 the United States forgetting the 11%, taking 10% to equal  
28 11% from the Canadian prices. The total of all products  
29 of these 69 products, total cost came out to approximately  
30 3% higher in Canada and that 3% could have been accounted







1 for by three or four products compared in that list.

2 MR. BRYDEN: What prices were you working  
3 on, were they retail prices or manufacturers' prices?

4 MR. CONDER: These were retail suggested  
5 list prices.

6 MR. BRYDEN: Well the 11% is not a figure  
7 applicable to the retail price. It is applicable at the  
8 manufacturer's level, is it not, which would bring it down  
9 to about 7% if you took the tax as a percentage of the  
10 retail price, at least, I think that is the rule of thumb  
11 with you.

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1 MR. CONDER: I believe estimates have been  
2 given, Mr. Bryden, which show if you take your suggested  
3 list price, depending on how the company is selling, it is  
4 my understanding from material which has been prepared for  
5 the Green Book that based on a company operating at whole-  
6 sale, they would take approximately 10% off the suggested  
7 list price to equal 11% tax.

8 MR. BRYDEN: But when this comes forward  
9 into the retail price, it is no longer 10%. The retail  
10 price has roughly a 40% mark-up which reduces tax as a per-  
11 centage of the price, if you get what I mean. 10% or 11%  
12 at the manufacturers' level, but as a percentage of the  
13 retail price, as I understand it, it usually works out to  
14 about 7%.

15 MR. CONDER: According to my informants,  
16 Mr. Bryden, there are different ways of evaluating and  
17 assessing this primarily because of the very different  
18 trade practices in this industry, and it is my understanding  
19 in the case of certain companies, they will take a 10%,  
20 and that this 10% will apply notwithstanding your sugges-  
21 tion. I am afraid this is a little above my head. I am  
22 by no means an authority on prices.

23 MR. HUME: The reference in the Green Book  
24 is a chapter commencing on page 203, entitled "Comparison  
25 of Drug Prices in Canada and Other Countries", and in  
26 Table No. 39, shown at page 209, and among the following  
27 several pages, there is a list of products as referred to  
28 therein with the United States price and Canadian price,  
29 and I presume this information is available to the Commit-  
30 tee. If you don't want me to take time to read it - but







1 Canadian and United States prices are indicated on several  
2 tables that appear starting at page 210. While the arith-  
3 metic is not worked out to percentage of increase or  
4 decrease, prices are there.

5 THE CHAIRMAN: You are referring to page 210  
6 of the brief presented to the Department of Justice, preli-  
7 minary report?

8 MR. HUME: Yes, the material collected.

9 THE CHAIRMAN: At page 210, Table 39; is  
10 that correct?

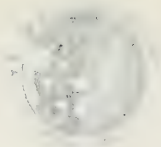
11 MR. HUME: Yes, that is the table to which I  
12 refer as containing some information, and maybe the infor-  
13 mation the Committee wants with respect to this particular  
14 subject.

15 THE CHAIRMAN: The goods that are manufactured  
16 by the companies which have a foreign connotation, do they  
17 make available in Canada subject to their licensing or  
18 patent restrictions all of the goods that are manufactured?

19 MR. HUME: As far as I am aware any goods  
20 that are manufactured anywhere in the world are available  
21 in Canada for Canadian consumers if they are prescribed  
22 and required.

23 MR. CONDER: That is the generally understood  
24 situation that when products do come out on the world  
25 market in different countries, that they are made available  
26 to the Canadian companies as shortly as possible. There  
27 has been no complete study done on that as it applies to  
28 Canada, but this is the situation as it is understood in  
29 the industry.

30 MR. HUME: There might be a product developed



Canadian and United States patents are included on several

pages that appear starting at page 210. While the entire

metric is not worked out to percentage or increase or

decrease, prices are raised.

THE CHAIRMAN: You are referring to page 211.

of the brief presented by the Department of Justice, which

MR. BAKER: Yes, the material collected.

MR. HARTMAN: As page 210, which is 11

of the report.

MR. BAKER: Yes, that is the table to which I

refer as containing some data which may be of interest.

Within the statistics which are referred to in the paragraph

referred.

THE CHAIRMAN: The points that are mentioned

in the committee report have a certain connection to that

make available in Canada and not be available elsewhere.

patent restrictions and of the goods that are manufactured

MR. BAKER: As far as I am aware, yes, goods

that are manufactured and available in the world are available

in Canada for Canadian consumers if they are produced

and produced.

MR. CHAIRMAN: What is the necessity for that?

It is a fact that when goods are made in the world

market is different countries, that they are made available

to the Canadian consumer as much as possible. There

has been no complete study made as to what it applies to

Canada, but this is the situation as it is understood in

the industry.





1 by a European company that had no Canadian connections,  
2 and to that extent a particular product may not find its  
3 way here rapidly, but if it is of merit and is required -  
4 they export to Canada in some way, but as I say, I am only  
5 guessing at what I presume would be the normal situation.

6 THE CHAIRMAN: Of course, what we are  
7 talking about is the broad proposition whether or not the  
8 cost of drugs is too high in Canada, whether it be the  
9 wholesaler or retailer or the consumer. The first test  
10 would be to test against other similar markets.

11 MR. HUME: Yes, sir, but in the submission  
12 which I believe is available and which was filed with the  
13 Commission, or made by the Association to the Restrictive  
14 Trade Practices Commission just recently within the last  
15 two weeks - I am not just sure in my mind whether it was  
16 a submission of the Association or the submission made by  
17 Canadian Cyanamid, but they took the cost of a particular  
18 kind of product in various parts of the world and measured  
19 it against time and labour required to make that product  
20 as one test, and also compared the cost of the product  
21 with respect to other costs to indicate the condition, and  
22 my recollection of it was that Canada, while not certainly  
23 the lowest was far from the highest.

24 Was it our submission?

25 MR. CONDER: No, it was Cyanamid.

26 MR. HUME: That was reported in volumes for  
27 October 16 and 17. That would have that information.  
28 They made a study of the cost of their products in many  
29 countries and indicated where Canada fits in that list,  
30 and I have forgotten where it is, but it is somewhere in



1 by a Russian company, but the Russian company  
2 and to that extent a part of the Russian  
3 day were really, but it is not clear and is not  
4 they expect to be in the country in the future, but only  
5 question of that I presume, but the Russian company  
6 the situation of course, which was  
7 railway about the future of the Russian company on the  
8 cost of the day is the day in the future, which is the  
9 which is the day in the future, which is the  
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1 the middle.

2 THE CHAIRMAN: What about the rest of the  
3 members of your Association?

4 MR. HUME: That I don't know. That question  
5 has not been asked.

6 THE CHAIRMAN: Did you make any inquiries  
7 about it?

8 MR. HUME: No, no. The only question we  
9 asked of the members were the ones that were in this  
10 material that was filed that Mr. Little has been discussing.

11 THE CHAIRMAN: Are there any individual  
12 manufacturers who are content to discuss this subject on a  
13 voluntary basis?

14 MR. HUME: There are some here with their  
15 own counsel, sir.

16 THE CHAIRMAN: I am directing my request  
17 to them. Are there any here who will give us this general  
18 information about the international system of pricing  
19 products? There is a silence.

20 MR. ROBERT REID: Mr. Chairman and gentlemen,  
21 Robert Reid. I appear for E.R. Squibb and Sons Limited.  
22 Mr. Phillips of the Squibb Company is here today, one of  
23 the people who volunteered to come some time ago and do  
24 what he could to help the Committee. Mr. Phillips and I  
25 have been listening to this discussion.

26 I am told by Mr. Phillips he has not prepared  
27 anything on the subject but we would be quite happy to do  
28 what we can to furnish the Committee - I think from what he  
29 said to me he is unable to answer.

30 THE CHAIRMAN: Let us adjourn for five







1 minutes and we will resume on this point for the moment.

2 MR. HUME: I have a very brief statement to  
3 make.

4 THE CHAIRMAN: I have a reason for asking.  
5 Mr. Phillips is from out of town, and I think it would be  
6 convenient for him if we heard him today. Is that right,  
7 Mr. Reid?

8 MR. REID: Yes, that is right.

9  
10 --- Short Recess  
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1 THE CHAIRMAN: Mr. Phillips?

2 MR. HUME: Before Mr. Phillips starts, I  
3 wonder if I might make what I think is a practical sugges-  
4 tion. The Committee have filed this statement as an exhi-  
5 bit and it occurred to me at the break that those who are  
6 ordering the transcript in other places might be at a  
7 disadvantage in not being able to understand what was  
8 being said because the document would not be before them.  
9 Instead of it being an exhibit, or as well as it being an  
10 exhibit, could it be read into the record?

11 THE CHAIRMAN: That is a good idea and I  
12 will so direct and ask the reporters to include the finan-  
13 cial or the composite financial statements and information  
14 which Mr. Little has prepared in the record as filed with  
15 the Committee.

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THE CHAIRMAN: Mr. Phillips?

MR. HUMPHREY: Before Mr. Phillips starts?

whether it is made more what I think is a very official number  
that. The Committee have filed this statement as an exhibit  
and it is referred to me as the Greek and what the  
concerning the preparation in other this might be as a  
discussed is not being able to understand what was  
being said because the document would not be before them.  
Instead of it being an exhibit, or as well as to being a  
exhibit, could it be read into the record?

THE CHAIRMAN: That is a good point and I

will do that and ask the reporter to include a  
of the composition, financial statements and information  
which Mr. Little has prepared in the record as it is with



OCTOBER 24, 1961

Schedule 1

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961,  
COVERING 1960 FIGURES)

Total Operating Results - as reported by 40 companies

	1960 Total dollar value	1960 results expressed as percentages
1. NET SALES (that is, gross sales including sales tax where sales are made tax included, less returns and allowances) FOR:		
a. HUMAN PHARMACEUTICALS (incl. all vitamins and O-T-C pharmaceuticals here):	\$197,994,000	84.3%
b. VETERINARY PHARMACEUTICALS:	2,029,000	1.0%
c. PROPRIETARY MEDICINES (patent medicines but not O-T-C pharmaceuticals):	761,000	.8%
d. CHEMICALS:	7,346,000	5.7%
e. OTHER PRODUCTS (Not listed above):	8,237,000	6.4%
TOTAL NET SALES:	126,367,000	98.6%
f. Note participants reported that they manufactured \$3,021,000 worth of merchandise for other C.P.M.A. members, including \$2,791,000 of human pharmaceuticals.		
g. OTHER INCOME:	1,836,000	1.4%
TOTAL INCOME: (comprising a, b, c, d, e, and g, and including sales tax):	\$128,203,000	100.0%
2. WAGES AND SALARIES (all wages and salaries including management salaries, directors' fees, payments to employees for holidays and in connection with profit sharing or production incentive plans, unless such payments are distributed only upon retirement of employee or some similar basis, in which case they are to be included in 3.):	\$31,183,000	24.3%
3. EMPLOYEE BENEFITS (payments to pension plans, group life, sickness or hospitalization insurance, workmen's compensation, unemployment insurance, medical services, cafeterias, welfare funds, 25-year clubs, etc.):	2,396,000	1.9%
4. MATERIALS (including raw materials, finished and semi-finished materials purchased for resale, materials consumed in processing operations, and packaging and shipping materials; but not including plant supplies to be included in (6.):	36,765,000	28.7%
5. EXCISE AND SALES TAXES (included in 1 above, remitted or to be remitted to Dominion and other Governments):	8,021,000	6.2%
6. OTHER EXPENSES (including plant supplies, power, water, municipal taxes, maintenance, repairs to buildings, machinery and equipment (not including salaries and wages or employee benefits included in 3 above), office, administrative and selling expenses not included above, including charitable donations and interest expense):	33,613,000	26.2%
7. DEPRECIATION:	2,157,000	1.7%
8. TAXES ON INCOME (Dominion and Provincial taxes on income):	7,063,000	5.5%
9. DIVIDENDS (or equivalent - distribution of profits only):	6,404,000	5.0%
10. RETAINED IN THE BUSINESS (that amount of the year's income not paid out in dividends or equivalent):	601,000	.5%
TOTAL (comprising 2 to 10 inclusive):	\$128,203,000	100.0%
11. NUMBER OF EMPLOYEES (average over 12 month period of fiscal year):	5,950	
12. NUMBER OF SHAREHOLDERS (average over 12 month period of fiscal year):	1,769	
13. TOTAL NET WORTH (capital stock - preferred common, etc. - and total retained earnings - surplus and reserves):	\$57,800,000	







OCTOBER 24, 1961

Schedule 2

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961)  
COVERING 1960 FIGURES

Supplementary Analysis of Sales volume  
submitted by 35 companies for 1960

<u>Total Sales</u>		1960	
		<u>Dollar value</u>	<u>Percentages</u>
I. (a) Sales of human pharmaceuticals			
(i) to General Hospitals and Institutions		\$ 19,789,000	16.6%
(ii) to the Ontario Government		804,000	.7%
(iii) to other Governments		3,154,000	2.6%
(iv) to Wholesalers		38,655,000	32.3%
(v) to Druggists (including drug chains) and dispensing physicians		37,145,000	31.1%
(vi) export and other sales		<u>3,086,000</u>	<u>2.6%</u>
Total sales of human pharmaceuticals		\$102,633,000	85.9%
(b) All other sales (items (b) to (e) of Schedule 1, question 1)		<u>16,881,000</u>	<u>14.1%</u>
Total net sales		<u>\$119,514,000</u>	<u>100.0%</u>

Sales included above made within the  
Province of Ontario

		1960	
		<u>Sales</u>	
		<u>in Ontario</u>	<u>Percentages</u>
II. (a) Sales of human pharmaceuticals			
(i) to General Hospitals and Institutions		\$ 6,280,000	14.9%
(ii) to the Ontario Government		743,000	1.8%
(iii) to other Governments		761,000	1.8%
(iv) to Wholesalers		13,900,000	33.0%
(v) to Druggists (including drug chains) and dispensing physicians		13,718,000	32.6%
(vi) export and other sales		<u>490,000</u>	<u>1.2%</u>
		\$ 35,892,000	85.3%
(b) All other sales (items (b) to (e) of Schedule 1, question 1)		<u>6,172,000</u>	<u>14.7%</u>
Total Net Sales		<u>\$ 42,064,000</u>	<u>100.0%</u>

III. Percentage of sales in Ontario to total net sales 35.2%



Particulars of Sales Volume  
for the year ended December 31, 1919

Sales Volume		Particulars	
(a) Sales of human pharmaceuticals			
(i) to General Hospitals and Institutions			
1919	1,117,700.00		
(ii) to the Ontario Government			
1919	604,700.00		
(iii) to other Governments			
1919	2,100.00		
(iv) to Wholesalers			
1919	34,480,000.00		
(v) to Dispensaries (including drug stores) and dispensing physicians			
1919	17,140,000.00		
(vi) export and other sales			
1919	1,100,000.00		
Total sales of human pharmaceuticals			
1919	47,541,700.00		
(b) All other sales (i.e. (c) to (e) of Schedule I, question 1)			
1919	1,100,000.00		

Sales included above made within the

Sales Volume		Particulars	
(a) Sales of human pharmaceuticals			
(i) to General Hospitals and Institutions			
1919	\$ 6,400,000.00		
(ii) to the Ontario Government			
1919	740,000.00		
(iii) to other Governments			
1919	787,000.00		
(iv) to Wholesalers			
1919	12,400,000.00		
(v) to Dispensaries (including drug stores) and dispensing physicians			
1919	16,700,000.00		
(vi) export and other sales			
1919	1,100,000.00		
\$ 35,107,000.00			
(b) All other sales (i.e. (c) to (e) of Schedule I, question 1)			
1919	1,100,000.00		
Total Net Sales			
1919	\$ 36,207,000.00		

III. Percentage of sales in the above to total net sales





OCTOBER 24, 1961

Schedule 3

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961)  
COVERING 1960 FIGURES

Analysis of profit and loss items between Human  
Pharmaceuticals and other items, prepared by 40  
companies for 1960

	<u>Human Pharmaceuticals</u>		<u>All other sales</u>		<u>Total</u>	
	<u>Dollars</u>	<u>Percentages</u>	<u>Dollars</u>	<u>Percentages</u>	<u>Dollars</u>	<u>Percentages</u>
1. Net Sales	\$107,994,000	100.0%	\$18,373,000	100.0%	\$126,367,000	100.0%
Deduct:						
2. Cost of goods manufactured or purchased for resale (including material, labour, overhead, depreciation, packaging, and both in-process and analytical quality control, but excluding items below).	\$40,997,000	37.9%	\$12,443,000	67.8%	\$53,440,000	42.3%
3. Excise and sales taxes	7,522,000	7.0%	499,000	2.7%	8,021,000	6.3%
4. Research expenditure	4,130,000	3.8%	115,000	.6%	4,245,000	3.4%
5. Selling and advertising	31,528,000	29.2%	2,241,000	12.1%	33,769,000	26.7%
6. Administration expenses (including executive and head office expense of all kinds, donations, interest on borrowed money, etc.)	12,834,000	11.9%	1,318,000	7.2%	14,152,000	11.2%
7. Total items 2 to 6	\$97,011,000	89.8%	\$16,616,000	90.4%	\$113,627,000	89.9%
8. Item 1, less item 7	\$10,983,000	10.2%	\$1,757,000	9.6%	\$12,740,000	10.1%
9. Add other income, less other miscellaneous expenses	\$1,353,000		\$ (32,000)		\$1,321,000	1.0%
10. Income taxes	\$6,335,000		\$728,000		\$7,063,000	5.6%
11. Net profit after tax (to agree with total of items 9 and 10 Schedule 1)	\$6,001,000	5.5%	\$997,000	5.4%	\$6,998,000	5.5%





OCTOBER 24, 1961

Schedule 4

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961)  
COVERING 1960 FIGURES

Research and Development Expenditures - 1960

	Number of companies reporting	1960 Amount
1. Total cost incurred for all drug or medical research and development	35	\$ 4,163,000
(This includes cost of salaries, other direct costs, service, routine supplies, and supporting costs, plus a fair share of overhead such as administration, depreciation, space charges, rent, etc., but does not include patent expenses. Where a company's research is handled in whole or in part by a parent company located outside of Canada, the amount charged to the Canadian company is included).		
Of this total, the total amount actually spent		
(a) - in Canada		\$ 3,349,000
(b) - in Ontario		\$ 422,000
(c) Total amount charged to the Canadian companies by parent companies located outside of Canada:		\$ 801,000
2.(a) 30 out of 37 companies reported that foreign parent or affiliated companies make available to the Canadian companies research and development work which is not charged to them.		
(b) The 30 companies estimate that the cost of such research and development work reasonably applicable to the Canadian operation would be	30	\$ 5,388,000
3. The percentage of total cost of all research and development (including that portion not charged to Canada 2(b)) in relation to Canadian net sales	37	8.3%
4. Of the total reported in 1 above, the total amount spent on clinical investigation work in Canada (including medical department):	33	\$ 1,022,000
5. The total amount spent in the form of research or development gifts or grants to:	35	
(a) Universities:		\$ 138,000
(b) Hospitals:		\$ 65,000
(c) Individual researchers:		\$ 117,000
(d) Health research foundations;		\$ 32,000
(e) Graduate or post-graduate scholarships and awards:		\$ 62,000
6. Number employed in Canada, who spent either all or part of their time on research and development work:	34	
(a) Ph.D. or D.Sc.:		61
(b) M.D.:		41
(c) M.Sc., or equivalent:		28
(d) B.Sc., B.Pharm. or equivalent:		90
(e) Less than college degree:		142
Total number of employees		362
7. Estimated total cost of research and development laboratory and equipment located in Canada:	35	\$ 5,180,000



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OCTOBER 24, 1961

Schedule 5

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961)  
COVERING 1960 FIGURES

Quality Control expense - 1960

	Number of companies reporting	1960 Amount
(Note: These figures include the costs of operating quality control laboratories and the cost of testing in outside laboratories and do not include the cost of inspection staff and other techniques designed to control the manufacturing process required to produce a quality product).		
1. Total cost incurred for all quality control operations	35	\$ 1,555,000
Of this total, the amount actually spent		
(a) - in Canada		\$ 1,340,000
(b) - in Ontario		\$ 481,000
(c) Total amount spent on behalf of the Canadian companies by parent or affiliated companies located outside of Canada and charged to the Canadian companies		\$ 230,000
2. Percentage of total cost of all quality control in relation to total production cost:	35	4.2%
3. Number employed in Canada, who spent all or part of their time on quality control:	34	
(a) Ph.D. or D.Sc.		7
(b) M.Sc. or equivalent		11
(c) B.Sc., B.Pharm. or equivalent:		98
(d) Less than college degree:		121
(e) Total number of employees		237
4.(a) Estimated total cost of control laboratory and equipment - in Canada	33	\$ 1,544,000
(b) - in Ontario		462,000







Schedule 6

Canadian Pharmaceutical Manufacturers Association

COMPILATION OF RESULTS OF SPECIAL QUESTIONNAIRE (dated May 3, 1961)  
COVERING 1960 FIGURES

Miscellaneous Information - 1960

1. Financial control:

40 companies replied to the question and of these 32 are controlled by companies located outside of Canada. The replies indicated control located in the following countries -

United States	23
Canada	8
United Kingdom	4
Switzerland	4
Sweden	1
	<u>40</u>

2. Manufacturing in Canada:

38 of 40 companies reported that they manufacture goods in Canada under their own names - 2 companies do not manufacture in Canada. Sales volume, expressed as percentages, was analyzed as follows -

(i)	Goods manufactured and packaged on the premises in Canada	75.7%
(ii)	Goods manufactured or packaged by other Canadian companies	5.8%
(iii)	Goods manufactured outside Canada but packaged by the company in Canada	11.8%
(iv)	Goods manufactured and packaged outside Canada	6.7%
		<u>100.0%</u>

3. Returned merchandise:

Sales value of returned merchandise reported by 38 companies -

(i)	Human pharmaceuticals or 3.2% of sales of human pharmaceuticals by the companies	\$3,377,000
(ii)	All other sales or 1.6% of all other sales by those companies.	\$ 225,000

Sales value of merchandise returned which is not re-usable or 40% of returned merchandise and 1.2% of total sales. \$1,465,000

4. Retail outlets:

Of 40 companies replying for 1960, 39 did not maintain any direct retail sales outlets, and one company did operate 3 separate outlets.

5. Packaging:

For 1960, 37 companies reported the total cost of packaging their human pharmaceuticals (including labour, packaging materials, etc.) to be \$11,420,000.

Total sales of human pharmaceuticals by those 37 companies for 1960 were \$101,983,000.

6. Selling and advertising expense:

For 1960, 40 companies reported:

(i)	Total selling and advertising expense (including promotion, salesmen's compensation, detail men, etc.) in respect of human pharmaceuticals	\$ 31,528,000
(ii)	Amount spent on medical exhibits and space	206,000
(iii)	Amount spent on medical and pharmaceutical journal advertising	2,030,000
(iv)	Amount spent on direct mail advertising	3,048,000



COMPARISON OF RESULTS OF 35 COMPANIES REPORTING FOR 1951-52  
TOVONIA, INC.

40 companies reported to the position and 11 in 1951-52 and 11 in 1950-51 by companies located outside of Canada. The results indicated that 11 companies located in the following countries:

23	United States
8	Canada
1	United Kingdom
1	Switzerland
1	France

35 of 40 companies reported that they were active in the field of research and development. The results indicated that 35 companies reported that they were active in the field of research and development. The results indicated that 35 companies reported that they were active in the field of research and development.

11	(i) Goods manufactured and marketed in Canada
11	(ii) Goods manufactured and marketed in other countries
11	(iii) Goods manufactured outside Canada and marketed by the company in Canada
11	(iv) Goods manufactured and marketed outside Canada

3. Return of retained merchandise  
Return of retained merchandise reported by 35 companies:

11	(i) Human pharmaceuticals or 0.2% of sales of human pharmaceuticals of the companies
11	(ii) All other sales or 1.0% of all sales of these companies

Goods value of merchandise returned to the company was \$1,111,000.00 and 1.1% of total sales.

Of 40 companies reporting for 1951-52, 35 companies reported that they were active in the field of research and development. The results indicated that 35 companies reported that they were active in the field of research and development.

Packaging:

Total sales of 35 companies for 1951-52 were \$101,800,000. The results indicated that 35 companies reported that they were active in the field of research and development. The results indicated that 35 companies reported that they were active in the field of research and development.

Of 40 companies reporting for 1951-52, 35 companies reported that they were active in the field of research and development. The results indicated that 35 companies reported that they were active in the field of research and development.

11	(i) Total selling and administrative expenses (including depreciation, amortization, depletion, etc.) in respect of human pharmaceuticals
11	(ii) Amount spent on research and development
11	(iii) Amount spent on advertising
11	(iv) Amount spent on financial administration



OCTOBER 24, 1961

Schedule C  
Page 2

6. (cont'd)

(v)	Amount spent on samples	\$ 3,953,000
(vi)	Donations and contributions to medical and pharmaceutical groups, hospitals, etc. (excluding research and development grants)	\$ 192,000

7. Detail men:

(i)	Number of "detail men", including field supervisors, employed by 40 companies in 1960	1,576
(ii)	Number of detail men located in Ontario	560
(iii)	Total remuneration of detail men (including salary, bonus, commission and fringe benefits)	\$10,375,000
(iv)	Total expense of travel, etc.	\$ 4,842,000
(v)	39 of 40 companies replied to a question regarding direct selling - and of these 31 companies reported that their detail men were engaged in direct selling activity as well as in promotional work. Time spent on direct selling varied considerably from company to company, but appeared to average between 40 and 50% of the total time of the detail men for those 31 companies. However, the weighted average for all 39 companies represented 36% of the time of detail men spent in direct selling.	

8. Investment in plant:

39 companies reported the following figures -

(i)	Original cost of all land buildings and equipment at end of 1960 fiscal period	\$49,762,000
	Depreciation accumulated thereon	\$19,659,000
(ii)	Original cost of land, buildings and equipment located in Province of Ontario	\$17,388,000
	Depreciation accumulated thereon	\$ 5,369,000
(iii)	Cost of additions to plant and equipment in 1960	\$ 2,987,000
(iv)	Of the total reported in (i) above the amount invested in laboratories and research facilities	\$ 6,621,000
	Depreciation accumulated thereon	\$ 2,138,000

9. Normal Trade discounts allowed on sales of human pharmaceuticals:

37 companies answered the question regarding normal trade discounts and the following is a brief analysis of the replies -

(i)	On sales to hospitals (35 companies of the 37 sell to hospitals)	
	4 quoted "net" prices	
	1 allows trade discount of less than 40%	
	18 allow " " " exactly 40%	
	12 " " " over 40%, mostly in range of 40 to 50%.	
(ii)	On sales to Governments (36 companies) -	
	15 special prices by quote or tender	
	2 allow discount of less than 40%	
	8 allow discount of exactly 40%	
	11 allow discount of over 40% up to 50%	
(iii)	On sales to wholesalers (37 companies)-	
	3 allow discount of less than 40%	
	8 allow discount of exactly 40%	
	25 allow discount of over 40% up to 50%	
	1 allows discount of over 50%	
(iv)	On sales to druggists (31 companies)	
	24 allow discount of exactly 40%	
	7 allow discount of over 40% up to 50%	

In addition, certain companies indicated that they allowed volume discounts, and special discounts on certain products from time to time.



531 45 44013



1 MR. BRYDEN: What about the addendum, Mr.  
2 Chairman? Is this part of the ---

3 THE CHAIRMAN: Actually what we are doing  
4 Mr. Bryden is interrupting the Manufacturers' brief to  
5 accommodate one of them who came from Montreal. Is there  
6 any objection from anyone that is a party to the hearing  
7 to this change in procedure for a few minutes? Mr. Phillips,  
8 I think we will hear you.

9 MR. REID: Thank you Mr. Chairman. I should  
10 say in introduction, Mr. Chairman and gentlemen, that Mr.  
11 Phillips has a very brief introductory statement which has  
12 been prepared on mimeographed paper and distributed to the  
13 members of the Committee and it states just generally what  
14 the development of the company has been in this country  
15 and its position at the present time. It might be useful  
16 if Mr. Phillips read it for the Committee.

17 THE CHAIRMAN: I have not had a chance to  
18 peruse this. Very well, go ahead.

19 MR. PHILLIPS: My name is O.J. Phillips.  
20 I am Vice-President and Managing Director of E.R. Squibb  
21 and Sons of Canada Limited.

22 As you will recall, during the Committee's  
23 previous sitting my Company volunteered to come forward  
24 in the hope of helping the Committee with its investigation  
25 and on the understanding that we would not be called upon to  
26 reveal confidential information.

27 Squibb in Canada was incorporated in 1925.  
28 It is a subsidiary of the Olin Mathieson Chemical Corpora-  
29 tion of the United States. Before 1948, its products were  
30 distributed by John A. Huston and Company of Toronto, but

MR. BRYDEN: What about the chairman, Mr.

Chairman? Is this part of the --

THE CHAIRMAN: Actually what we are doing

Mr. Bryden is interrupting the Management's right to

2 accommodate one of them was came from Montreal. Is there

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9 MR. PHILLIPS: Thank you Mr. Chairman. I should

10 say in introduction, Mr. Chairman and gentlemen, that Mr.

11 Phillips has a very brief introductory statement which has

12 been prepared on summarized paper and distributed to the

13 members of the Committee and it states that generally what

14 the development of the company has been in the country

15 and its position at the present time. It might be useful

16 if Mr. Phillips read it for the Committee.

17 THE CHAIRMAN: I have not had a chance to

18 because this. Very well, go ahead.

19 MR. PHILLIPS: My name is J. L. Phillips.

20 I am Vice-President and Managing Director of E.R. Sarnia

21 and Sons of Canada Limited.

22 As you will recall, during the Committee's

23 previous stating my company volunteered to come forward

24 in the hope of helping the Committee with its investigation

25 and on the understanding that we would not be called upon to

26 present a financial statement.

27 Sarnia in Canada was incorporated in 1925.

28 It is a subsidiary of the Ohio Matheson Chemical Corpora-

29 tion of the United States. Before 1948, its products were

30 distributed by John A. Matheson and Company of Toronto.





1 in 1948, premises were leased in Montreal and we began  
2 manufacturing and packaging our products there, using  
3 available Canadian raw materials and labour.

4 In 1952 facilities and equipment were added  
5 for blending, subdividing and packaging antibiotics and  
6 other pharmaceuticals. As a result by 1953 we were manu-  
7 facturing about 90% of our products in Canada.

8 After that, we bought land near Montreal and  
9 began to build a plant. By May 1955 it was completed. It  
10 represents an expenditure of more than \$2,000,000.00 and  
11 includes the following facilities:

12 1. An ether and cyclopropane plant, the  
13 only one of its kind in the country, capable  
14 of producing enough to meet Canada's entire  
15 requirements of these vitally important  
16 anaesthetics. The plant has a capacity in  
17 excess of one million pounds of ether and  
18 more than four million gallons of cyclopro-  
19 pane a year, and consists of a distilling  
20 tower and an ultra-modern fire-and-explosion-  
21 proof subdividing and packaging building.

22 In any national emergency, such local produc-  
23 tion facilities would prove invaluable.

24 2. Facilities for the manufacture of ether  
25 cans. To meet Squibb's high standard of  
26 quality which requires that ether remains  
27 suitable for human use over an extended  
28 period of time, special copper-lined tin  
29 containers were needed. Such containers  
30 were not available in Canada. Squibb's



1 in 1948, premises were leased in Montreal and we began  
2 manufacturing and packaging our products there, using  
3 available Canadian raw materials and labor.  
4 In 1952 facilities and equipment were added  
5 for blending, subdividing and packaging antibiotics and  
6 other pharmaceuticals. As a result of 1953 we were now  
7 factoring about 90% of our products in Canada.  
8 After that, we bought land near Montreal and  
9 began to build a plant. By May 1955 it was completed. It  
10 represents an expenditure of more than \$2,000,000 and  
11 includes the following facilities:  
12 1. An ether and cyclohexane plant, the  
13 only one of the kind in the country, capable  
14 of producing enough to meet Canada's entire  
15 demand.  
16 2. A plant for a specialty in  
17 excess of one million pounds of ether and  
18 more than four million gallons of cyclohexane  
19 per year, and consists of a distilling  
20 tower and an ultra-violet five and six-foot  
21 proof subdividing and packaging building.  
22 In any national emergency, such as I pointed  
23 out, facilities would prove invaluable.  
24 3. Facilities for the manufacture of ether  
25 and, to meet Canada's high standard of  
26 quality which requires that other remains  
27 suitable for human use over an extended  
28 period of time, special copper-lined air  
29 containers were needed. Such containers  
30



1 plant is capable of producing enough contain-  
2 ers for its entire ether production.

3 Imports of these containers are no longer  
4 necessary.

5 3. Quality Control Laboratories. Squibb's  
6 excellent reputation among doctors, pharma-  
7 cists and the public is based on their confi-  
8 dence in the quality of its products. To  
9 maintain its quality standards in Canada,  
10 extended quality control facilities were  
11 constructed, consisting of an animal building,  
12 a control unit for the ether plant, a sterile  
13 laboratory for antibiotic control, and a  
14 control laboratory for other products.

15 These control laboratories are staffed by a  
16 medical doctor, four graduate chemists and  
17 six qualified technicians. These men were  
18 trained in Canada by specialists sent from  
19 our American associate. In addition, some  
20 studied at the Squibb Institute for Medical  
21 Research in New Brunswick, N.J.

22 4. Modern manufacturing facilities. Seventy  
23 per cent of the space is used for the general  
24 production of pharmaceuticals. The remaining  
25 space is occupied by administrative and  
26 general offices. Squibb is proud of the fact  
27 that these facilities are among the best  
28 equipped in Canada.

29 In addition to these Montreal facilities,

30 Squibb today maintains warehouses and distributing branches





plant is capable of producing enough material

now for its entire production.

Imports of these containers are no longer

3. Quality Control Laboratory at Spalding

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In addition to these Montreal facilities,



1 in Vancouver, Regina, Toronto and Halifax. By keeping  
2 stocks strategically close to important population centers,  
3 Squibb is able to offer fast service to hospitals, drug  
4 stores and to the medical profession.

5           The Squibb story could also be told in terms  
6 of people. Recently, five employees - W.J. Merrell of  
7 Cumberland, O.T. Olson of Oakville, J.M. Bertrand of Belle-  
8 ville, J.A.K. Lemon of Montreal, formerly of London, and  
9 C.B. Judd of Kitchener, were honoured by our organization  
10 after twenty years of service. A number of others are  
11 scheduled soon to join this select group. We think that  
12 Squibb is a good employer in an essential industry.

13           Squibb of Canada today employs more than  
14 250 people. Current expansion plans call for 50 additional  
15 employees and we look beyond that for still further growth  
16 to keep pace with the long-term potential of Canada's  
17 dynamic economy. I might add, parenthetically, that with  
18 the exception of myself, all Squibb employees are Canadian.

19           So much for history. Where does Squibb  
20 stand today?

21           Today Squibb is an established Canadian  
22 manufacturer and seller of pharmaceuticals, both for pres-  
23 cription and over-the-counter products. Over 100 different  
24 products are sold by Squibb throughout the entire nation.  
25 Our list of products includes such diverse items as cod  
26 liver oil and antibiotics, tooth brushes and diuretics,  
27 vitamins and anti-hypertensive agents. Special products  
28 are made for use by pediatricians. Squibb also manufac-  
29 tures a number of veterinary products. Every business  
30 enterprise has the objective of making a profit and Squibb



1 in Vancouver, Regina, Toronto and Halifax, by meeting  
2 stocks strategically close to important population centres,  
3 Spruce is able to offer fast service to hospitals, drug  
4 stores and to the medical profession.  
5 The Spruce store could also be sold in terms  
6 of people. Recently, five employees - W.J. Marshall of  
7 Cambridge, O.P. Olson of Oakville, J.M. Barstow of Belle  
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26 liver oil and antidiabetic, tooth brushes and dentures,  
27 vitamins and anti-hypertensive agents. Special products  
28 are made for use by pediatricians. Spruce also manu-  
29 factures a number of...  
30 enters the... for... in...





1 is no exception. But Squibb also looks upon itself as  
2 performing essential services to the physicians of Canada.

3 In addition to supplying the newest drugs,  
4 the Company maintains a staff of specially trained men  
5 whom we call Medical Service Representatives. A major  
6 phase of their job is to provide physicians with informa-  
7 tion about our new developments in the field of medicine  
8 and encourage them to prescribe Squibb products. Printed  
9 material about the new drug developments is also mailed to  
10 doctors. The Company maintains an extensive scientific  
11 film library in Canada with 67 films. All films are  
12 available without cost and are used widely by hospitals,  
13 universities, medical associations, medical schools and  
14 nursing schools. Films of interest to the general public  
15 are made available to TV stations at no cost. In 1960  
16 alone there were more than 1600 Canadian showings of Squibb  
17 films. I have here a copy of our film catalogue. If you  
18 are interested, I would be glad to leave it with you.

19 Our affiliated companies in the U.S.A.,  
20 England, Argentina, Mexico and West Germany are currently  
21 spending better than \$10,000,000.00 annually for research  
22 and scientific investigation in the pharmaceutical field.  
23 Few, if any, industries take the risks that a pharmaceuti-  
24 cal company does when it embarks on a big research project.  
25 Even when a product is successful, and major successes are  
26 rare, it may take a company several years to recover its  
27 initial large investment. A new drug has an uncertain  
28 life span, and a major discovery can make established  
29 drugs obsolete. But in order to maintain our competitive  
30 position, we must take this risk over and over again. It



1 is no exception. But Smith also looks upon itself as  
2 performing essential services to the physicians of Canada  
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5 whom we call Medical Service Representatives. A major  
6 phase of their job is to provide physicians with informa-  
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8 and ensure that they are presented in the most favorable  
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26 rare, it may take a company several years to recover its  
27 initial large investment. A new drug has no uncertain  
28 life span, and a major discovery can make substantial  
29 contributions to the health of the community.  
30 In fact, we must take this risk over and over again. If





1 is the only way we can move forward and make contributions  
2 to the medical profession, pharmacy and the public. The  
3 benefits of these research and scientific endeavours are  
4 passed on by our companies to all people everywhere.

5 Because it is more economical to concentrate  
6 research in one or in a few places, rather than many, the  
7 bulk of the group's research expenditures are mostly in  
8 the countries I have named with the major effort being in  
9 the laboratories in New Jersey.

10 In summary, Squibb's basic objectives are to  
11 make a profit, to be of service to the medical and pharma-  
12 ceutical professions, and to discover and make available  
13 new products which will benefit all of us.

14 Whether we are a success in attempting to  
15 achieve these objectives is perhaps for others to decide.  
16 I might say, however, that as a result of the operations  
17 that I have described, our net profit for the year of 1960  
18 was 6.4% of our net sales and for the average of the last  
19 3 years including 1960 our net profit was 6.6%.

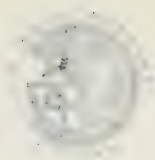
20 Since I am here as a volunteer to assist the  
21 Committee, I would be glad to answer any questions which  
22 you would care to ask and which I am in a position to  
23 answer.

24 MR. RICE: Mr. Phillips, I note that although  
25 your company was incorporated in Canada in 1925 it appears  
26 from your brief here that it had a rapid growth since  
27 World War II. Would it be fair to make that observation?

28 MR. PHILLIPS: That is correct sir.

29 MR. RICE: And that would be due, primarily,  
30 to the number of new drugs coming on the market since





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MR. RICE: Mr. Phillips, I note that although  
your company was incorporated in Canada in 1955 it appears  
from your brief here that it had a rapid growth during  
World War II. Would it be fair to make that observation?  
MR. PHILLIPS: That is correct sir.

MR. RICE: And that would be due, principally,  
to the number of new drugs coming on the market since



1 World War II in which your company obviously would be  
2 interested?

3 MR. PHILLIPS: That is correct sir.

4 MR. RICE: Could you tell us something about  
5 these 100 different products that you manufacture, just  
6 what the manufacturing consists of? Is it merely tableting  
7 and packaging or is it manufacturing from essential raw  
8 materials?

9 MR. PHILLIPS: Some of the products from  
10 essential raw materials. Ether, for example, we start  
11 with alcohol and sulphuric acid and some other ingredients.  
12 There are many products, however, which are brought in  
13 from other countries in a semi-finished condition.

14 MR. RICE: Are there any products other than  
15 ether that you would manufacture right from basic ingre-  
16 dients?

17 MR. PHILLIPS: Starting from scratch, no.  
18 Not here in Canada.

19 MR. RICE: Do you market these products  
20 under generic or trade names or both?

21 MR. PHILLIPS: We have most of our products  
22 under trade names. However, we still have quite a few  
23 under generic names.

24 MR. RICE: Is there any preference by your  
25 company as to marketing the products under one name or  
26 under another name?

27 MR. PHILLIPS: Do you mean do we prefer to  
28 market under a trade name?

29 MR. RICE: Yes.

30 MR. PHILLIPS: Well, certainly there are many



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from other countries in a semi-finished condition.

MR. RICE: Are there any products other than

other than you would manufacture from scratch, right?

MR. PHILLIPS: Something from scratch, no

not here in Canada.

MR. RICE: Do you make these products

under generic or trade names or both?

MR. PHILLIPS: We have most of our products

under trade names, however, we still have some that

under generic names.

MR. RICE: Is there any difference of price

company as to marketing the product under one name or

MR. PHILLIPS: Do you mean do we produce to

market under a trade name?

MR. RICE: Yes.

MR. PHILLIPS: Well, certainly there are many





1 generic names that are such tongue-twisters that it would  
2 be very difficult to market them and be successful  
3 marketing them by their truly generic names. That applies  
4 to many of the newer drugs.

5 MR. RICE: These drugs that you manufacture  
6 in Canada, did you obtain patents or rights to manufacture  
7 those products from your parent company?

8 MR. REID: Mr. Chairman, gentlemen, I wonder  
9 if I can just point out something right here. As we are  
10 all aware, the Restrictive Trade Practices Commission is  
11 looking into a number of aspects of the drug industry and  
12 it would seem to me that it would be - we want to co-operate  
13 to the extent that we can. Nevertheless, we must take  
14 notice of the fact that that Commission is looking into  
15 patents and licensing and I would think, with great respect,  
16 that any issue dealing with patents and licensing would  
17 perhaps be better left to the Restrictive Trade Practices  
18 Commission. I take the responsibility for having made  
19 this statement. I did not realize that any questions of  
20 patents were going to arise here. I had looked at some  
21 of the previous testimonies and I did not notice it was  
22 discussed in any detail.

23 MR. BRYDEN: Oh yes. We had the Patent  
24 Commissioner before us.

25 THE CHAIRMAN: I don't think we are interested  
26 in the detail or the rates which might be involved. I  
27 think it is a question, I assume the question is do you  
28 operate or does your parent company pass over its patent  
29 rights, licence rights, and I would assume as a matter of  
30 public knowledge that you do. I think the answer is self-





1 evident.

2 MR. REID: I merely make my statement as a  
3 general one Mr. Chairman.

4 THE CHAIRMAN: We are not interested in the  
5 detail on it, just the fact that you do operate under our  
6 existing patent law. Again that is self-evident.

7 MR. REID: Quite so. Thank you.

8 MR. RICE: I was just wondering generally  
9 Mr. Phillips. Mr. Chairman has pointed out, I think it is  
10 self-evident, you would get a number of your patents from  
11 your parent company?

12 THE CHAIRMAN: You have patent rights with  
13 other companies. Put it that way.

14 MR. PHILLIPS: That is right.

15 THE CHAIRMAN: You do. Do you give your  
16 patent rights on your products, your primary patents, to  
17 other Canadian companies?

18 MR. PHILLIPS: To my knowledge we have not  
19 been asked for a licence.

20

21

22

23 -

24

25

26 -

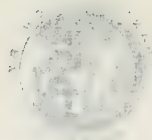
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28

29

30 -





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/hm

1 MR. RICE: Of the drugs manufactured by  
2 your parent company, are all those drugs available to your  
3 Canadian corporation?

4 MR. PHILLIPS: Yes, they are available just  
5 as soon as they pass the F.D.D., Food and Drug Directorate.

6 MR. RICE: And are you a member of the  
7 Canadian Pharmaceutical Manufacturers Association?

8 MR. PHILLIPS: Yes, sir.

9 MR. RICE: And did you contribute a  
10 questionnaire to Mr. Little for compiling the document  
11 that he has filed as an exhibit today?

12 MR. PHILLIPS: Yes.

13 MR. RICE: And have you had a chance to  
14 peruse his compilation?

15 MR. PHILLIPS: Yes.

16 MR. RICE: And could you give us any informa-  
17 tion as to how those percentages correspond with the  
18 percentages in your own business?

19 MR. PHILLIPS: In general they conform quite  
20 well. There is one difference, of course, and that is ---

21 MR. RICE: That is the profit and in your  
22 brief I think you said for 1960 the profit was 6.4% and  
23 6.6% for the last three years?

24 MR. PHILLIPS: Yes, sir.

25 MR. RICE: Have you a price list for all  
26 your products that are marketed in Canada?

27 MR. PHILLIPS: Yes.

28 MR. RICE: And could that price list be  
29 available for the Committee?

30 MR. PHILLIPS: Let me see if I have one with



Q. 1

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Q. 26

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Q. 27

MR. RICE: And could that price list be

Q. 28

available to the public?

Q. 29

MR. PHILLIPS: Yes, sir.





1 me. I am sorry, I do not have one with me but I would be  
2 glad to send one.

3 MR. RICE: Is it the same price list for all  
4 of Canada?

5 MR. PHILLIPS: Yes.

6 MR. RICE: And has your parent company a  
7 price list for the same products down in the United States?

8 MR. PHILLIPS: Yes.

9 MR. RICE: And could you file with us a list  
10 of your parent company's prices?

11 MR. PHILLIPS: Yes, I can do that.

12 MR. RICE: Could you give us any information  
13 as to how the Canadian prices compare with the American  
14 prices?

15 MR. PHILLIPS: By and large Canadian prices  
16 are a little higher due, of course, to the sales tax and  
17 the import duties. However, there are some items, as I  
18 recall and I do not know exactly, that are less expensive  
19 in Canada than in the United States. I will be happy to  
20 get that information and supply it to the Committee.

21 THE CHAIRMAN: The ones that are less in  
22 Canada, are they in general use and are they volume items  
23 or are they isolated?

24 MR. PHILLIPS: I would say that by and large  
25 they would be volume items.

26 THE CHAIRMAN: That are cheaper in Canada?

27 MR. PHILLIPS: Yes, sir.

28 MR. RICE: Have the prices of your drugs  
29 changed in the past two years at all?

30 MR. PHILLIPS: There have been several ones





1 that have changed, yes.

2 MR. RICE: Increased or decreased?

3 MR. PHILLIPS: They have decreased.

4 MR. RICE: Could you give the Committee any  
5 reason as to what would cause the price to decrease?

6 MR. PHILLIPS: No specific reasons, I do  
7 not think. Competition is extremely active in this field  
8 and it seems to be more active as the days go by but there  
9 have been no specific reasons that I can think of.

10 MR. RICE: Do you find that there is an  
11 increasing competition in the field of manufacturing drugs?

12 MR. PHILLIPS: Definitely, yes.

13 MR. RICE: Perhaps you do not care to venture  
14 an opinion on this, but has the publicity that this subject  
15 has received in the past few years, would you consider that  
16 a factor in the price of the drugs?

17 MR. PHILLIPS: Anything which I would say  
18 would have to be an opinion but I do not -- I note that  
19 two price declines that I had in mind were not caused by  
20 this, no, they were caused by extreme competitive activities  
21 in those two particular fields.

22 MR. RICE: As research costs and so on are  
23 acquired, made up, is there a pattern with your company  
24 to lower prices in any event quite apart from competition?

25 MR. PHILLIPS: I am sure there is no  
26 organized pattern but prices certainly have come down, yes.  
27 After a major new break-through has been made on the  
28 market for a while it certainly will be very soon some  
29 other products slightly different or maybe strongly  
30 different but perhaps with the same indication which by





that have changed, yes.

MR. RICE: Increasing or decreasing?

MR. PHILLIPS: They have decreased.

MR. RICE: Could you give me some idea of the

reason as to what would cause the price to decrease?

MR. PHILLIPS: No specific reason, I do

not think. Competition is extremely active in this field

and it seems to be more active in the days we do not control

have been no specific reasons that I can think of.

MR. RICE: Do you think that there is an

increasing competition in the field of chemicals and drugs?

MR. PHILLIPS: Decreasing, yes.

MR. RICE: Perhaps you do not care to venture

an opinion on that, but has the possibility that this subject

has received in the past few years, would you consider this

a factor in the price of the product?

MR. PHILLIPS: Assuming what I would say

would have to be an opinion and I do not see how that

two price declines that I had in mind were not caused by

this, no, they were caused by extreme competitive activities

in those two particular fields.

MR. RICE: As research costs and so on are

accumulated, would you, in those a pattern with your company?

to lower prices in any event, since apart from competition?

MR. PHILLIPS: I am sure there is no

organized pattern and prices certainly have come down, yes.

After a major new break-through has been made on the

market, the industry generally will not have time

to react because the market is so active and

difficult to keep up with the same industry.



1 the normal process of competition the prices just fall,  
2 that is all. We have not had any what you might say  
3 exclusive areas in the fields of therapy tied up in a  
4 patent which would cause the price to remain at a high  
5 level.

6 MR. RICE: The evidence has indicated that  
7 Squibb Company have contributed to the compilation report  
8 of Mr. Little and I was not proposing to go into the  
9 individual items in the report unless the Committee wished  
10 figures of a particular company put on the record.

11 THE CHAIRMAN: My own inclination is that  
12 you certainly should not. Mr. Phillips came here on a  
13 voluntary basis and his evidence should be taken as such.  
14 You are a party to this compilation which is generally an  
15 industry-wide submission?

16 MR. PHILLIPS: Yes, sir.

17 THE CHAIRMAN: He has given us some specifics.  
18 There may be some specific questions that you might want to  
19 ask him but I think the spirit and the conditions under  
20 which he undertook to appear last spring should be honoured.

21 MR. RICE: I agree with you, I just want the  
22 Committee's direction in that regard.

23 MR. BRYDEN: Could we have figures in terms  
24 of ---

25 MR. RICE: I think I asked him and he said  
26 the figures coincided pretty well except in the case of  
27 profit so if you want to ask him about that differentiation.

28 THE CHAIRMAN: Let us put it this way: I  
29 do not think the question should be directed to single out  
30 this particular which would isolate it as against the







1 compilation.- Let us state the proposition. As I under-  
2 stand it, I have no doubt that Mr. Phillips and the Squibb  
3 Company and other companies are quite prepared to give  
4 some information to Mr. Ayers on a confidential basis.  
5 I for one do not want to identify these figures with the  
6 name of any company. Mr. Ayers may be able to say he has  
7 seen some confidential figures of X company and this  
8 relates in such a way or thus and so to the compilation  
9 but as far as the specific identification is concerned  
10 and having in mind the federal enquiry that is presently  
11 going on I do not think it is quite proper.

12 MR. RICE: That concludes any questions I  
13 have of this witness.

14 THE CHAIRMAN: It may be that Mr. Ayers  
15 may want to have a private and confidential chat with Mr.  
16 Phillips at some convenient place and time. Those are  
17 my views and I have not consulted with the Committee about  
18 it. Are you in agreement with me or to the contrary?

19 MR. BRYDEN: I would like to ask some  
20 questions, Mr. Chairman, on promotional expenses. I do  
21 not care to pry into the affairs of this company if the  
22 witness says he does not care to answer them.

23 THE CHAIRMAN: I think we can deal with them  
24 in principle. I am trying to keep this in mind, that  
25 there is a certain other enquiry going on and these people  
26 may or may not be before the Courts at the moment and I  
27 do not think their position should be prejudiced in the  
28 specific deal. Let us go on on the question of principle.

29 MR. BRYDEN: Well, I do not know if this is  
30 a fair question but could you tell me what percentage of





1 your net sales is represented by expenses on promotion?  
2 If you do not care to answer the question I will not press  
3 it.

4 MR. REID: Mr. Chairman, again may I say  
5 that Mr. Phillips has said that generally speaking the  
6 figures of the company conform with the figures on the  
7 industry.

8 MR. BRYDEN: I will accept it on that basis.  
9 Then, could I ask a further question? Referring back to  
10 a question I asked of Mr. Little, the quotation attributed  
11 to the representative of Wyeth, in their case 75% of their  
12 promotional expenses went to their specialty lines and  
13 25% to the balance. Could you give me any idea of how  
14 those expenses might break down in your case?

15 MR. PHILLIPS: I can only give you an  
16 estimate but I do not think that estimate would be too  
17 far off. It would be something like that.

18 MR. BRYDEN: The emphasis, at any rate, is  
19 on the specialty lines, would that be a fair conclusion?

20 MR. PHILLIPS: I did not hear you.

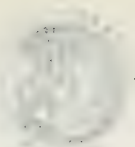
21 MR. BRYDEN: Would it be a fair conclusion  
22 that the emphasis so far as your promotion is concerned  
23 would be on the specialty lines?

24 MR. PHILLIPS: Certainly the emphasis is.

25 MR. BRYDEN: What are some of your leading  
26 specialties?

27 MR. PHILLIPS: The leading specialties are  
28 Rautracytl, Naturetin K -- Rautracytl is a product for  
29 hypertension; Naturetin K is a product which is sometimes  
30 used for hypertension but generally used for a diuretic.





MR. BELL: Mr. Chairman, again may I say

that Mr. Phillips has said that generally speaking the  
figures of the company, compared with the figures of the

MR. BRYSON: I will stick to the facts.

a question of assets of Mr. Bell, the question of assets  
of the representative of Bell, in their case 15% of their  
production of the year to their operating lines and  
type to the balance. I will say that we are not of the  
those of the year right down to your assets.

MR. BELL: I am only going to say

estimate of the year that would be the  
far off. It would be something like that.

MR. BRYSON: The emphasis, at any rate, is  
on the operating lines, would that be a fair conclusion?  
MR. BELL: I am not sure.

MR. BRYSON: You are not a fair conclusion  
that the operating lines and assets are concerned  
would be of the operating lines.

MR. BELL: Certainly the emphasis is

MR. BRYSON: That is some of your leading

specialized

MR. BELL: The leading specialized are

and really, Mr. Chairman, is a product for

the operating lines is a product for the operating lines

the operating lines is a product for the operating lines



1 Another product is Pentids which is a penicillin tablet.  
2 Another one is Mysteclin F which is a broad spectrum  
3 in volume product. Another is Moditen which is a tran-  
4 quilizing agent. Those are some of the more important  
5 ones.

6 MR. BRYDEN: What would be the product  
7 which is used mostly as a diuretic? What would be your  
8 major competitor in that field? What companies would you  
9 regard as your major competitors?

10 MR. PHILLIPS: Well, there are quite a few  
11 today, Merck and Abbott, Frosst, Robins and a number of  
12 others.

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/hm

1 MR. BRYDEN: Was your company or one of its  
2 associated companies, was it your company that developed this  
3 particular product, whatever its generic name is? I don't  
4 know, but was it first developed by -- did your group and  
5 the others imitate or was it the other way around and  
6 somebody else ....

7 MR. PHILLIPS: Well, this particular one  
8 we developed.

9 MR. BRYDEN: This particular one, but was  
10 that what is referred to in some of the material I have  
11 read as a variant of something someone else has developed?  
12 How would you describe it?

13 MR. PHILLIPS: I must say if I was the first  
14 one who put out a diuretic I would think anyone else would  
15 be adding something to it or something which is a product  
16 that is a substantial improvement over the earlier similar  
17 diuretics that were available.

18 MR. BRYDEN: Naturally I would expect your  
19 company would consider its product was at least one of the  
20 better ones on the market. Do I take it somebody else  
21 developed the basic product and this was, your group of  
22 companies made certain modifications to it which you then  
23 marketed under your own name.

24 MR. PHILLIPS: The original product was in the  
25 chlorprozine group. There have been several variations.  
26 We consider that our product has fewer side effects because  
27 there are a considerable number of side effects found by  
28 many doctors on certain diuretic products.

29 MR. BRYDEN: Does your company do any  
30 research in Canada?





1 MR. PHILLIPS: Research per se, no. We have  
2 some studies going on in universities here in Canada, but  
3 the bulk of research is carried on in Brunswick, New  
4 Jersey, and research is being done in England, in Germany,  
5 in Mexico and Argentina and in India. The reasons we  
6 chose those places is because various drugs are more native  
7 to those areas; for example, in the research of tropical  
8 medicine drugs it is almost impossible to get enough  
9 subjects in certain places where they have adequate  
10 facilities. The two best places are in England and in  
11 Hamburg, Germany. The reasons being that there are many  
12 sailors there who frequent the tropics and on whom they  
13 can run adequate tests and experiments.

14 MR. BRYDEN: Is it fair to ask if your  
15 Canadian operation is charged for research by the parent  
16 organization? Does that appear as one of your costs of  
17 operation?

18 MR. PHILLIPS: It appears in the raw materials  
19 which we get.

20 MR. BRYDEN: It would be embodied in the  
21 material that you would purchase from the parent company?

22 MR. PHILLIPS: That is correct.

23 MR. BRYDEN: But they don't, I take it, put  
24 a charge on your company for work they have done in  
25 Brunswick, New Jersey.

26 MR. PHILLIPS: They don't make it a separate  
27 item, but broken down it would be between six and seven,  
28 six and seven and a fraction per cent.

29 MR. BRYDEN: That would appear in your  
30 financial statements actually in the cost of raw materials?







1 MR. PHILLIPS: It is included in the cost  
2 of raw materials.

3 MR. BRYDEN: Roughly what percentage of your  
4 business is in what is described as the ethical drug  
5 field, manufacture of drugs for prescription purposes?

6 MR. PHILLIPS: What percentage? We have a  
7 number of products which are now being sold over the  
8 counter without prescriptions that were once sold on  
9 prescriptions only, so give me a moment please to kind of  
10 give you an estimate. I would -- this is a pure guess,  
11 I would guess 85% of our business is in what we might  
12 term as ethical drug products.

13 MR. BRYDEN: That would be a somewhat  
14 broader classification than straight prescription? In  
15 other words, would that include items that a doctor might  
16 tell a patient to get, go in off the street and get it  
17 over the counter?

18 MR. PHILLIPS: No sir. I am referring only  
19 to products sold on doctors' prescriptions.

20 MR. BRYDEN: 85% would be in that category?

21 MR. PHILLIPS: That is my guess, sir.

22 MR. BRYDEN: I was rather interested in the  
23 statement that you manufacture or market some products  
24 under generic name. I was wondering if you could give me  
25 an indication of some of the products you would market  
26 in that way?

27 MR. PHILLIPS: Would you mind if I take  
28 a look at my book. Pentids, I told you a moment ago is  
29 penicillin, of course. There are many requests for  
30 penicillin tablets on which we supply pentids because it







1 is its generic name. We have mineral oil, cod liver oil,  
2 glycerine suppositories -- two prices, my goodness.  
3 Chloralhydrate capsules, we call it Noctec. They are  
4 interchangeable. Glutamic acid, hydrochloride --there is  
5 no name there, there is no brand name. Of course, ether.

6 MR. BRYDEN: I think that is a sufficient  
7 answer, thank you. Another question I would like to ask,  
8 I see in your brief the companies with which you are  
9 associated spend more than ten million dollars annually  
10 for research and scientific investigation. Can you give  
11 me any idea of what percentage of that, what proportion  
12 of that would be for developing products which are  
13 modifications of or variations of products already on  
14 the market?

15 MR. PHILLIPS: I could say very emphatically  
16 that the majority, by far the large majority of all money  
17 is spent for searching for newer rather than for modifying  
18 originals because it is extremely important not only to  
19 the medical profession but to us as a company to have  
20 something new and to have something we hope is different,  
21 of importance to all, something that is going to be a  
22 contribution to humanity. I say that with deep sincerity.

23 MR. BRYDEN: What products have your group  
24 of companies, has your group of companies developed say,  
25 in the last number of years? Can you specify any?

26 MR. PHILLIPS: I might mention one which you  
27 may have seen in the newspapers here. You might say this  
28 is not a product exactly, but it certainly has to do with  
29 research. This appeared in the Winnipeg Free Press on  
30 October 4th. It is about calf bones being used in human





1 bone grafts. The first patient was a child born with a  
2 leg bone twisted from front to back. The surgeon sliced  
3 from the bone gave a half turn dropped in a calf bone to  
4 keep it straight. A year and a half later the child  
5 walked smoothly without a limp. That is an example of  
6 research, which, incidentally, I doubt if we ever made  
7 much money on this one for obvious reasons. It  
8 is one of the contributions we have made recently. A  
9 product which we developed a few ----

10 THE CHAIRMAN: That is quite a point. The  
11 benefits which occur from some things whether they be in  
12 this field or in life generally can't always be measured  
13 in money.

14 MR. PHILLIPS: Certainly.

15 MR. REID: I have seen that quote. It has  
16 something further I think Mr. Phillips has perhaps over-  
17 looked. I don't think he stated the position of the  
18 company with regard to this research. Could you explain  
19 to the Committee the position of the Squibb Company in  
20 respect to that. There is a further statement in the  
21 clipping which might be of interest. I believe it was  
22 done in conjunction with a doctor.

23 MR. PHILLIPS: Yes, Dr. Bassett. Well,  
24 this has to do with cadavers. That was the former way  
25 they got it except to use, for example, a bone if you have  
26 splice in your lower leg you might have it up here. The  
27 next thing was getting it from cadavers and put it through  
28 a high speed electronic sterilization process and keep  
29 it properly refrigerated for a long time. That was never  
30 too satisfactory. The important thing here is that we







1 feel this is a contribution, but at the moment it is  
2 something that we will not be able to realize any profit  
3 from. In rather recent years we developed a product called  
4 Isoniazid. This was one of those things where we were  
5 studying the product and other companies were studying  
6 it too. We almost simultaneously found it to be, that  
7 this product was good for tuberculosis. It would help  
8 to actually cure tuberculosis. Well, all right, there was  
9 a great race to see who would get the patent. We got  
10 there almost simultaneously and it was almost like pulling  
11 slips out of a hat. Then we found a doctor in Germany  
12 had patented this thing in 1910 so without having known  
13 that it had already been found our people working  
14 individually had it, but the doctor who had patented the  
15 drug in 1910 had wanted to use it for something else and  
16 not for tuberculosis. The reason I am bringing that to  
17 light is this: That is another product on which we have  
18 no likelihood of making any money because we spent more  
19 than two million dollars in order to get it going. Then it  
20 became, well, available to several people and is very  
21 cheap today. The reason I mention it today now they have  
22 found it not only cures T.B. but it protects against it.  
23 It is a preventive. This appeared September 26th in  
24 another newspaper article. Several products we have had --  
25 Kenalog which is a dermitological preparation which works  
26 extremely well in treating most dermitological or skin  
27 diseases.

28 MR. BRYDEN: Are there any you can name  
29 you made any money on? I take it from the ones you have  
30 stated ....







1 MR. PHILLIPS: We have made a little money  
2 on Kenalog, yes sir. We have made some on Mysteclin.  
3 We have made some ....

4 MR. BRYDEN: Was that a product developed  
5 by your company?

6 MR. PHILLIPS: We developed Mycostalin which  
7 is an antifungal product. It was developed in our labora-  
8 tories in New Jersey by some doctors who were working  
9 with the New York State Board of Health. It was added  
10 to Tetracycline because with Tetracycline there has been  
11 many times when it has been found that certain side  
12 effects develop and this was added to Tetracycline so it  
13 would help to eliminate those certain side effects.

14 MR. BRYDEN: What was the name that was  
15 sold under?

16 MR. PHILLIPS: Mysteclin.

17 THE CHAIRMAN: If you eliminate certain side  
18 effects -- let us call it a primary product involving  
19 certain side effects, those side effects might very well  
20 prevent the use of the product in some instances?

21 MR. PHILLIPS: That is correct, sir.

22 THE CHAIRMAN: What I find it difficult to  
23 understand why the term modification is used because if  
24 a modification took the side effects away and made it  
25 more readily available without the side effects it seems  
26 to me that that involves a major break through.

27 MR. BRYDEN: It doesn't always happen.

28 MR. PHILLIPS: It doesn't always happen that  
29 way.

30 THE CHAIRMAN: Take the case of Tetracycline.  
-----



MR. PHILLIPS: We have made a little money

We have made some ...

MR. PHILLIPS: Was that a good investment?

By your company?

MR. PHILLIPS: We developed myositis which

is an anesthetic product. It was developed in our laboratory

for use in New Jersey by some doctors who were working

with the New York State Board of Health. It was added

to the myositis because with Tetrahydrocannabinol there has been

many times when it has been found that certain side

effects develop and this was added to Tetrahydrocannabinol so it

would help to eliminate those certain side effects.

MR. PHILLIPS: What was the same time was

and what?

MR. PHILLIPS: Myositis.

THE CHAIRMAN: Do you eliminate certain side

effects -- let us call it a primary product for living

certain side effects, those side effects might very well

prevent the use of the product in some instances?

MR. PHILLIPS: There is no question about it.

THE CHAIRMAN: What I think it different in

understanding why the form modification is used because it

a modification both the side effects and the use of

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1 MR. PHILLIPS: I must say in all fairness  
2 the man who owns the patent may be the man who yells --  
3 the other one has the modification --- more than anyone  
4 else.

5 MR. TROTTER: If there was such a difference  
6 between new drugs that were found by research, I can't  
7 understand why it costs so much to sell the drug. For  
8 example, if you had a new drug that is really needed --  
9 suppose you had a cure for cancer, all you have to do to  
10 advertise it would be to go to the nearest telephone.  
11 That is costs so much to sell these drugs it would seem  
12 to me they are very much the same, the so-called new  
13 drugs.

14 MR. PHILLIPS: I don't know a great deal  
15 about cancer, but I can ---

16 MR. TROTTER: I just used it as an example.

17 MR. PHILLIPS: There are quite a number of  
18 different types of cancer, and what you might find which  
19 is effective in one particular, might not be effective in  
20 another kind of cancer. There really is no real cure  
21 although even yesterday's papers pointed out ---

22 MR. TROTTER: I was using that as an example.  
23 I was thinking of a major break-through. Penicillin,  
24 for example. There may be variations, but it is essentially  
25 a primary drug, and it would not take much advertising to  
26 sell it.

27 MR. PHILLIPS: Can I go back a few years?  
28 I used to work in a drug store years ago and the doctors  
29 in those days told me that there was really only one  
30 specific -- and that was mercury -- in the treatment of





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in those days told me that there was really only one

-- and that was mercury -- in the preparation.



1 syphilis, and the other things were really not treat-  
2 ments -- I mean not cures is what I am trying to say.  
3 There is only one cure for something and that would be  
4 mercury in the curing of syphilis.

5 I think that is the way a lot of things are  
6 in medicine today. There are many, many things which will  
7 do a certain amount of good, but there are not that many  
8 different outstanding remedies which will really cure  
9 everything.

10 Now, I remember when penicillin was first  
11 developed. I was working down in the United States --  
12 incidentally, I was fortunate to be able to sit in on a  
13 meeting in which they decided the name would be called  
14 penicillin rather than pen-icillin. At any rate, in those  
15 days that drug was so dramatic there was nothing else  
16 like it at all. You couldn't go home at night because  
17 people would be waiting on your front door wanting some  
18 of this precious new drug.

19 The point is that was a tremendous new  
20 break-through, but there are just not that many break-  
21 throughs. If you have something that is like that, yes,  
22 you won't have to advertise it, but that is all so very,  
23 very, very seldom.

24 MR. TROTTER: Then all these other new  
25 drugs are really just almost slight modifications?

26 MR. PHILLIPS: I could not say that at all.  
27 They are not slight modifications, but what will work on  
28 some patients will not necessarily work on others.

29 MR. BRYDEN: Who knows what is going to be  
30 the effect of some of these variations? As I understand it --



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 15 days that I was so dramatic there was nothing else  
 16 like it at all. You couldn't go home at night because  
 17 people would be waiting on your front door wanting some  
 18 of this precious new drug.  
 19 The point is that was a tremendous new  
 20 breakthrough, but there are just not that many break-  
 21 throughs. If you have something that is like that, yes,  
 22 you won't have to advertise it, but that is all so very  
 23 different.  
 24 MR. PROCTOR: Then all these other new  
 25 drugs are really just almost slight modifications?  
 26 MR. ELLIOTT: I could not say that at all.  
 27 They are not slight modifications, but what will work on  
 28 some patients will not necessarily work on others.  
 29 MR. BRYDEN: Who knows what is going to be  
 30 the effect of some of these variations? As I understand





1 I am no chemist, but I understand that it is quite possible  
2 to get great varieties of formulations, so somebody gets a  
3 drug that makes quite a reputation for itself, so the next  
4 fellow gets some variation on it and naturally represents  
5 it as better, but the evidence that it is better is  
6 strictly very scanty indeed, or even that it is as good.

7 Now, isn't that fairly prominent in the  
8 development of this industry?

9 MR. PHILLIPS: I am sorry. I cannot agree  
10 with that statement, sir, because as I said a moment ago  
11 the man that may complain the loudest may be the man who  
12 really owns the patent. I know that there are many things  
13 which are discovered that are very useful, that are dis-  
14 covered accidentally.

15 We discovered our Tetracycline, if you  
16 please, in our Argentine plant when I was down there -- we  
17 have a tremendous research laboratory there -- we dis-  
18 covered Tetracycline there fifteen years I guess after it  
19 had been discovered here, but it was all by accident. We  
20 were looking for something else. We were not looking for  
21 any different radical for tetracycline; we were looking  
22 for a new antibiotic.

23 MR. BRYDEN: So that still does not deal  
24 with the question that some of the modifications may not  
25 improve the drug at all. They have side effects that are  
26 not thoroughly understood and yet they are promoted.

27 MR. PHILLIPS: I would like to speak for  
28 our company as regards side effects. You see when you  
29 get this list, right here, all of our items have -- here  
30 is one product. It has the name, action indications,





1 contra indications, and in some of these, as you can see  
2 right here, the contra indications we spell that out as  
3 much as we do the advantages.

4 MR. BRYDEN: What is that book?

5 MR. PHILLIPS: This is a book which describes  
6 our products.

7 MR. BRYDEN: And that is for circulation to  
8 the medical profession or where?

9 MR. PHILLIPS: This is available to doctors  
10 and also it is available to druggists. That is part of  
11 the information which we supply the druggists because  
12 actually most doctors do not file these things too well,  
13 and most doctors do go down and have a druggist that they  
14 can call on to get information from. We are very desirous  
15 that this be available.

16 MR. BRYDEN: Is it also standard practice  
17 with your company to show contra indications on, say,  
18 advertisings appearing in medical journals and in direct  
19 mail going out to the profession?

20 MR. PHILLIPS: Here is an example of some  
21 of the work we do. These are reprints. We cannot add  
22 or subtract to that because these are written by medical  
23 men, but these are supplied at certain times.

24 THE CHAIRMAN: Mr. Phillips is now referring  
25 to what appears to be a printed copy of a thesis by some  
26 medical authority on certain subjects?

27 MR. PHILLIPS: That is right. He has tried  
28 these particular products on a certain number of patients,  
29 and this gives his results. They are not always good, you  
30 know.





contraindications, and in some of these, as you can see  
right here, the contraindications are all right out as  
much as we do the advantages.

MR. BRYDEN: What is that book?

MR. PHILLIPS: This is a book which contains

our products.

MR. BRYDEN: And this is for doctors?

the medical profession or where?

MR. PHILLIPS: This is available to doctors

and also it is available to physicians. It is one of

the information which we supply the community because

actually most doctors do not like these things too well,

and most doctors do go down and have a drugstore that they

can call on to get information from. We are very desirous

that this be available.

MR. BRYDEN: Is it also available to physicians

with your company to have contraindications or, say,

advertisings appearing in medical journals and in other

material going out to the profession?

MR. PHILLIPS: There is an example of some

of the work we do. These are reprints. We cannot put

on labels to that because these are written by medical

men, and these are supplied to certain firms.

THE CHAIRMAN: Mr. Phillips is now referring

to what appears to be a printed copy of a thesis by some

medical authority on certain subjects.

MR. PHILLIPS: That is right. He has tried

and they are not always good.



1 THE CHAIRMAN: Are these copies of the thesis,  
2 the doctors' experience, are these printed copies dis-  
3 tributed to the profession too?

4 MR. PHILLIPS: Some are, yes. When they  
5 have to do with a product that we have, we do get permission  
6 to have those reprinted and supply them to the doctor,  
7 and that, incidentally, is one of the things which the  
8 doctors appreciate very much.

9 THE CHAIRMAN: I am looking at one which is  
10 really from a book which appears at page 510 and goes on  
11 to 511, 512, 513, 514, 515, 516 and 517. I am just  
12 thumbing this through, and I notice on page 513 it gives  
13 the results of treatment, table showing comparative dosage  
14 of Prednisone and Trianol. Then I see on page 514, which  
15 goes on for a page and a half, the heading of "undesirable".  
16 That is the whole story.

17 MR. PHILLIPS: That is right.

18 THE CHAIRMAN: Is that what you are trying  
19 to say to us?

20 MR. PHILLIPS: Exactly.

21 MR. BRYDEN: What about the medical journals,  
22 or do you advertise in medical journals?

23 MR. PHILLIPS: We have not in some time.  
24 We have not done very much advertising in medical journals.  
25 I don't have a copy here with me to show a copy of any of  
26 our previous one.

27 MR. BRYDEN: What about direct mail?

28 MR. PHILLIPS: We do some direct mail, and  
29 this was an example of one of the inserts which goes into  
30 direct mail. I will pass all of these along. You will







1 notice it has precautions here on this page. These are  
2 file cards which are also well accepted by doctors,  
3 because this is something they keep. They usually don't  
4 throw this stuff away because it is a quick summary of  
5 what the product is; it has reference as to who said so,  
6 and then it also has, once again, comments on safety.

7 MR. BRYDEN: Does it have any information  
8 about prices?

9 MR. PHILLIPS: No, sir.

10 MR. TROTTER: Most doctors are not aware,  
11 as I understand it, what the drugs actually cost to the  
12 patients. They will write out a prescription for the  
13 patient but not have any idea of what the drug costs.  
14 Would that be correct?

15 MR. PHILLIPS: I am sorry, I could not agree  
16 with you in toto because many doctors do ask for an  
17 approximate price. Many doctors do ask.

18 MR. BRYDEN: They ask the detailmen?

19 MR. PHILLIPS: That is correct.

20 MR. TROTTER: Do you find the best way to  
21 sell drugs is through the detailmen?

22 MR. PHILLIPS: That is the best, yes, sir,  
23 but that does not cover the whole thing, no, sir.

24 MR. TROTTER: For example, if your selling  
25 and advertising costs are as the rest of the companies,  
26 around 26.7%, what portion of that 26.7% would be spent  
27 on the detailmen?

28 MR. PHILLIPS: What portion would be spent  
29 on detailmen?

30 MR. TROTTER: Yes. I understand that of your





1 costs of the industry, about 26.7% goes for the selling  
2 and advertising. Now, would most of your selling and  
3 advertising be on detailmen, through magazines?

4 MR. PHILLIPS: Not all companies break down  
5 this area in the same way. Now, we normally put adverti-  
6 sing over here, which would include direct mail advertising,  
7 advertising in journals, and participation in medical  
8 congresses in one column.

9 Then we would put down the cost of our  
10 medical service representatives in another column. Not  
11 all companies do that. What percentage the detailmen cost,  
12 I would have to supply you that information later because  
13 I don't have it at my fingertips.

14 MR. TROTTER: What is the best way to sell  
15 a drug? How do you get the best results?

16 MR. PHILLIPS: I am not the first to say  
17 this that I think practically all of the authorities agree  
18 that it takes a combination of three media, medical service  
19 representatives, journals and direct mail. Of the three,  
20 the detailmen are more effective, if you please, than any  
21 of the other two separately I think. As far as we are  
22 concerned, that is correct.

23 MR. BRYDEN: When you said earlier that  
24 competition is increasing -- at least I think that is what  
25 you said -- something to that effect that competition is  
26 increasing or at any rate it is quite pronounced in this  
27 industry, the comment which you were referring to, were  
28 you referring to competition in promotion or competition  
29 in prices or what kind of competition?

30 MR. PHILLIPS: I would say more competition in







1 promotion; the competition in number, if you please.

2 MR. BRYDEN: How do you mean "number"? I  
3 don't understand that.

4 MR. PHILLIPS: Well, I don't know how many  
5 additional houses are promoting products in Canada this  
6 year as compared with last year, but it seems like it is  
7 a larger number. I want to go back for just a moment and  
8 say that in the United States where I worked for some time,  
9 the drug business there is in a fewer number of companies'  
10 hands than here in Canada. Here in Canada there are more  
11 than 200, and this is distributed over a greater number  
12 proportionately than it is in the United States.







dpw

1 MR. BRYDEN: If the competition is primarily  
2 in the promotional field, which involves the number of  
3 companies there, would it follow from that that competition  
4 with regard to prices for some of these products is not too  
5 keen? In other words, do you try to meet your competitors  
6 through the medium of promotion rather than through the  
7 medium of giving a better price?

8 MR. PHILLIPS: Well, we certainly try that  
9 on quite a number of products. Speaking for Squibb again  
10 quite a number of our products are more expensive than  
11 certain other companies so we try to do a better job of  
12 servicing, of rendering service to the medical profession.

13 MR. BRYDEN: What do you mean by servicing?

14 MR. PHILLIPS: One of the basic things that  
15 we endeavour to do is to train our representatives so that  
16 they can be of service to the doctors. The reason I say  
17 "be of service" is because if you go in with one thought  
18 in mind: a hard sell proposition, the chances are you won't  
19 be invited back very soon so our people, I think, are  
20 trained unusually well so that not only are they able to  
21 discuss our own products intelligently, but also be able  
22 to discuss the trend of therapy or anything else which may  
23 have happened new in the medical field recently.

24 Mr. Bryden, does your parent company maintain  
25 a public relations office or agency? Does it have a public  
26 relations agency or public relations department of its own?  
27 I presume your own company does not. I am just wondering  
28 if the parent company in the States would.

29 MR. PHILLIPS: I think so, yes sir.

30 MR. BRYDEN: What would their function be?





1 Would it be used, for example, to try to spread information  
2 directly to the public through news media and magazines  
3 and so on about any products you may have?

4 MR. PHILLIPS: I don't think they ever touch  
5 products. I am not too clear on that.

6 THE CHAIRMAN: I have a question Mr. Phillips,  
7 with respect to research. Have you any observations to  
8 make with respect to the ultimate efficiency, the end  
9 efficiency of research by Universities as contrasted with  
10 research by private enterprise?

11 MR. PHILLIPS: I think it is going to take  
12 a good deal of both. The facilities in Canada are impro-  
13 ving dramatically. I think that it is going to take a  
14 combination of both.

15 THE CHAIRMAN: You think this is a field in  
16 which both fit?

17 MR. PHILLIPS: Yes sir, and I am quite sure  
18 that the majority of University research people agree with  
19 that. There may be some who do not, but I am quite sure  
20 the majority do.

21 THE CHAIRMAN: Any questions from other  
22 interested parties? Mr. Phillips, we are very grateful  
23 to you for coming to Toronto for this occasion and we are  
24 most appreciative of your co-operation.

25 MR. PHILLIPS: Thank you.

26 THE CHAIRMAN: Do you have anything to add,  
27 Mr. Reid?

28 MR. REID: I have nothing to add except thank  
29 you.

30 THE CHAIRMAN: Mr. Hume, we are very grateful







1 to you for letting us put Mr. Phillips in this position.

2 MR. HUME: As you recall, I have, as you  
3 know, a very brief statement with three questions that were  
4 asked and possibly it might serve the Committee's purpose  
5 if I just gave these three answers now and then that would  
6 complete the information that we have at this time.

7 May I take, sir, the foreword as being taken  
8 as read and merely indicate the three questions, starting  
9 at page 2.

10 THE CHAIRMAN: I take it, for the purpose of  
11 the record, that we should have this read into - taken into  
12 the record as read.

13 MR. HUME: Fine sir. If you wish to do that,  
14 I won't even read it. There were three questions asked.  
15 Two have been answered as best we can and the final one,  
16 involving the General Pharmacal Corporation of New Jersey;  
17 there the matter is under review of the courts and we have  
18 been unable to get information from the Attorney-General  
19 of New Jersey, but we found out who he is. Possibly a  
20 letter on the letterhead of this Committee might produce  
21 that result. If the material could be taken as read -  
22 there were three questions that arose at the pages indi-  
23 cated in the transcript. These were the best answers, the  
24 most important of which was the answer in connection with  
25 the licensing for pharmaceutical manufacturers and I only  
26 wish to make this comment about it: that since the question  
27 was asked, there have been regulations promulgated by the  
28 Food and Drug Directorate and the materials with respect  
29 to that are on the two pages here and I don't think there  
30 is anything else to add beyond those regulations have not







1 yet been finalized. They are merely under study at the  
2 present time.

3 THE CHAIRMAN: Any questions from the  
4 Committee? (No reply) Any questions from any other  
5 interested party? (No reply) Mr. Rice, have you any  
6 questions?

7 MR. RICE: No, I have no questions Mr. Chair-  
8 man.

9 MR. HUME: Mr. Chairman, may I say that this  
10 addendum, plus Mr. Little's comments, were the questions  
11 that we had picked out of the material that were asked of  
12 us. I hope they will be of some use. If there is any  
13 additional information that arises as a result of these  
14 final deliberations where the Association can be helpful,  
15 we will do everything we can, sir, to obtain that informa-  
16 tion as quickly as possible.

17 FOREWORD

18 The Canadian Pharmaceutical Manufacturers'  
19 Association appeared before the Select Committee on Drugs  
20 on October 24, 25 and 26, 1960. At that time, the Commit-  
21 tee asked the Association for additional information,  
22 primarily of a statistical nature. Accordingly, the  
23 Association retained the services of Clarkson, Gordon &  
24 Company, to obtain this information and it has now been  
25 submitted to the Committee by Mr. A.J. Little of that  
26 accounting firm.

27 Some of the additional information required,  
28 however, is of a non-statistical nature and this is presen-  
29 ted herewith for the Committee's consideration.

30 A summary of the non-statistical information



yet been finished. They are merely under study at the

THE CHAIRMAN: And please come from the

Committee (No reply) And please come from any other

interested parties (No reply) Mr. Board, have you any

questions?

MR. BOARD: No, I have no questions at present.

and

MR. BOARD: Yes, I say that the

additional, please Mr. Board, we have no questions

then we had ahead of us a matter which was asked of

us. I hope they will be of some use. It seems to me

additional information that would be a result of this

first session. Now, the Association can be helpful.

we will do everything we can, and we will do it in a

then a definite answer to

REPORT

Association members and the other members of the

on October 24, 25 and 26, 1900. At that time, the

and asked the committee for additional information.

probably of a substantial nature. Accordingly, the

committee reported the results of its survey, which was

forwarded to the committee and it has now been

submitted to the Committee of the Association of the

Some of the additional information received

is of a substantial nature and has been

for the committee's consideration

A summary of the information



1 is as follows: the page numbers given refer to the pages  
2 of the official transcripts of the hearings in which the  
3 requests for this information may be found:

4 1. Page 1401 - A request for the percen-  
5 tages of profit on sales and on net worth  
6 realized by United States, United Kingdom  
7 and European pharmaceutical manufacturing  
8 industries.

9 2. Pages 1408-10 - A request for specific  
10 recommendations from the Association concer-  
11 ning the licensing of pharmaceutical manufac-  
12 turers and suppliers.

13 3. Pages 1411-12 - A request for the names  
14 of Canadian importers of products supplied  
15 by General Pharmacal Corporation of New  
16 Jersey.

17 Also attached is a list of corrections to  
18 errors contained in the official transcripts of the hearings.

19 RE: PROFITS IN OTHER COUNTRIES

20 QUESTION: A request for the percentages of profit on sales  
21 and on net worth realized by United States,  
22 United Kingdom and European pharmaceutical  
23 manufacturing industries.

24 ANSWER: United States

25 In a report submitted to the U.S. Senate  
26 Subcommittee on Antitrust and Monopoly Legislation on  
27 February 23, 1960, the U.S. Pharmaceutical Manufacturers  
28 Association stated that the profit margin (after taxes)  
29 in 1958 was 13 per cent, while the rate of return on  
30 capital was 18.1 per cent.





1 is as follows: the page numbers given refer to the pages  
2 of the official transcript of the hearing in which the  
3 requests for this information were made.

4 1. Page 1461 - A request for the person  
5 tages of profit on sales and on net worth  
6 realized by United States, United Kingdom  
7 and European pharmaceutical manufacturers

8 2. Page 1462-15 - A request for specific

9 recommendations from the Association of American  
10 drug manufacturers of profits of local companies  
11 and foreign companies.

12 3. Page 1463-15 - A request for the names  
13 of Canadian companies of known or alleged  
14 by General Services Administration of New  
15 Jersey.

16 Also attached is a list of corrections to

17 errors contained in the official transcript of the hearing.

18 RE: PROFITS IN OTHER COUNTRIES

19 QUESTION: A request for the percentage of profit on sales  
20 and on net worth realized by United States,  
21 United Kingdom and European pharmaceutical  
22 manufacturers.

23 ANSWER: United States

24 In a report submitted to the U.S. Senate

25 Subcommittee on Antitrust and Monopoly legislation on  
26 February 28, 1960, the U.S. Pharmaceutical Manufacturers

27 Association stated that the United States

28 in 1958 and 1959, while the rate of return

29 capital was 10.1 percent



1                   However, the "Quarterly Financial Report for  
2 Manufacturing Corporations, Fourth Quarter, 1960",  
3 published by the U.S. Federal Trade Commission - Securities  
4 and Exchange Commission, shows a ratio of profit to sales  
5 after taxes of 9.2 per cent, and a ratio of profit to  
6 stockholders equity after taxes of 15.0 per cent.

7                   While "stockholders equity" is not comparable  
8 to "total capital" it is considered in some quarters as  
9 more acceptable in representing net worth.

10 United Kingdom

11                   The self-explanatory reply which the Associa-  
12 tion received from the U.K. Association of British Pharma-  
13 ceutical Industry is as follows:

14                   "Pharmaceutical manufacturers in the U.K. do  
15 not divulge their sales figures and so we are quite unable  
16 to give you any percentages of profit on sales.

17                   "It has been reported that Board of Trade  
18 accountants have calculated from the published accounts of  
19 43 companies the percentages of profit on 'capital employed'  
20 for the years 1951-57. The average for 1957 was 28%. The  
21 accountants stressed, however, that the figures must be  
22 subject to very important reservations which arise from the  
23 inadequate information available from published accounts and  
24 from the fact that such accounts relate to the whole acti-  
25 vities of the companies many of whom have important busi-  
26 ness not connected with the National Health Service. The  
27 Board of Trade reports are regarded as confidential but  
28 the Ministry of Health would no doubt be willing to supply  
29 them direct to the Ontario Government".



However, the "Company Financial Report for

published by the U.S. Federal Trade Commission - Securities  
and Exchange Commission, shows a ratio of profit to sales  
after taxes of 9.2 per cent, and a ratio of profit to  
stockholders equity after taxes of 15.0 per cent.  
While "Company Financial Report" is not comparable

to "Total Capital" it is contained in some quarters as  
more acceptable in representing net worth.

#### United Kingdom

The self-sufficiency report which the Associa-  
tion received from the U.K. a section of British Finan-  
cial Industry is as follows:

"Financial Industry and Commerce in the U.K. is  
not divided into sales figures and we are quite unable  
to give you any percentages of profit on sales."

It has been noted that Board of Trade  
accounts have calculated from the published accounts of  
the companies the percentages of profit on capital employed  
for the years 1951-52. The average for 1957 was 7.8%. The  
accounts stressed, however, that the figures must be  
subject to very important reservations which arise from the  
inadequate information available from published accounts and  
from the fact that such accounts relate to the whole of the  
activities of the companies many of whom have important busi-  
ness not connected with the National Health Service. The  
Board of Trade reports are regarded as confidential but  
the Ministry of Health would no doubt be willing to supply  
them direct to the Ontario Government.





1 Europe

2 We regret that we have been unable to find  
3 comparable figures for European pharmaceutical manufac-  
4 turing industries. In an attempt to obtain this informa-  
5 tion, we contacted several European sources, the United  
6 Nations, Dominion Bureau of Statistics, an international  
7 survey house, and even the U.K. ABPI and U.S. PMA, to no  
8 avail.

9 RE: LICENSING OF PHARMACEUTICAL MANUFACTURERS AND SUPPLIERS

10 QUESTION: A request for specific recommendations concer-  
11 ning the licensing of pharmaceutical manufac-  
12 turers and suppliers.

13 ANSWER: It is the opinion of this Association that regu-  
14 lations should be implemented requiring that drugs sold in  
15 Canada shall have been manufactured and tested under condi-  
16 tions that ensure the drugs will be safe for use. Further-  
17 more, all suppliers of drugs should be required to show  
18 evidence that their products have been tested for quality  
19 and standards by reputable and reliable laboratories.

20 Accordingly, manufacturers, distributors,  
21 importers, agents and commercial testing laboratories  
22 should be required to sign declarations stating that their  
23 facilities meet predetermined standards. For example:

24 (a) No manufacturer shall sell a drug unless  
25 the drug has been manufactured and tested  
26 under conditions that are suitable to ensure  
27 that the drug will not be unsafe for use, and  
28 has filed annually in a form and content  
29 defined by the Minister a declaration descri-  
30 bing the scope of the manufacturer's operations.





(b) No commercial drug testing laboratory shall test a drug unless conditions of testing, insofar as tests are performed and reported by him, and equipment used in testing, are adequate to ensure that the drug will not be unsafe for use, and has filed annually in a form and content defined by the Minister a declaration describing the scope of the laboratory's operations.

(c) Where a drug is manufactured or tested outside of Canada, the Director of the Food and Drug Directorate, Ottawa, may require the testing of the raw and bulk material used in the manufacture of the drug and/or the testing of the drug in finished form to be carried out in Canada before a lot or batch is released for sale, and

An inspection of the manufacturer's establishment or of the commercial drug testing laboratory used to ensure that the conditions and requirements of the Act have been complied with before any lot or batch of drug is exported to Canada.

The onus of responsibility for ensuring the certainty of the product must rest initially with the manufacturer or the supplier and his manufacturer, for quality control must be built into the product during manufacture and not merely subject to subsequent spot checking by an outside laboratory.

It will be appreciated that any proposal such as this brief outline will require considerable study





(b) No commercial drug testing laboratory

shall test a drug unless conditions of

testing, insofar as tests are performed and

reported by him, and equipment used in

testing, are adequate to ensure that the

drug will not be unsafe for use, and has

been initially in a form and content defined

by the Minister a description describing the

scope of the laboratory's operations.

(c) Where a drug is manufactured or tested

outside of Canada, the Director of the Food

and Drug Inspection, Ottawa, may require

the testing of the raw and bulk material

used in the manufacture of the drug and/or

the testing of the drug in finished form to

be carried out in Canada before a lot or

batch is released for sale, and

in inspection of the manufacturer's facilities

in or of the commercial drug testing laboratory used for

ensure that the conditions and requirements of the Act

have been complied with before any lot or batch of drug is

exported to Canada.

The onus of responsibility for ensuring the

certainty of the product must rest initially with the

manufacturer or the supplier and the manufacturer, for

quality control must be built into the product during manu-

facture and not merely subject to subsequent spot checking

by an outside laboratory.

It will be apparent that any process of

control will require considerable study



1 prior to implementation. Regarding jurisdiction, the  
2 responsibility for enacting such regulations should rest  
3 with the Federal Government through its Food and Drug  
4 Directorate.

5                   Significantly, the Federal Government is now  
6 engaged in preparing regulations for this purpose. On  
7 December 28, 1960, the Department of National Health and  
8 Welfare, Ottawa, issued Trade Information Letter No. 191  
9 re: Drug Manufacturing Facilities and Controls. This  
10 Letter sets forth proposed regulations, the objective of  
11 which is to strengthen the Food and Drugs Act in respect  
12 to the conditions under which drugs are manufactured for  
13 sale in Canada. This is a preliminary proposal, subject  
14 to change by the Department, and it is our understanding  
15 that certain amendments to the original proposal are now  
16 being considered.

17                   This Association is in complete accord with  
18 the action being taken by the Federal Government in this  
19 respect, which is most certainly in the best public  
20 interest, and has presented its views as outlined above to  
21 the Food and Drug Directorate.

22 RE: NAMES OF CANADIAN IMPORTERS OF GENERAL PHARMACAL  
23 PRODUCTS

24 QUESTION: A request for the names of Canadian importers  
25 of products supplied by General Pharmacal  
26 Corporation of New Jersey.

27 ANSWER: In view of the legal implications of this case,  
28 it has not been possible for the Association to obtain the  
29 names of the Canadian importers of these products from any  
30 Canadian source, government or otherwise. We also looked







1 into the possibility of our obtaining this information  
2 from the United States. However, the case has not as yet  
3 come up for trial, and the records are now being held by  
4 the office of the Attorney General, State of New Jersey.

5 The official in charge of the case is Mr.  
6 B. Rigg, Deputy Attorney General, State of New Jersey,  
7 Trenton, N.J.

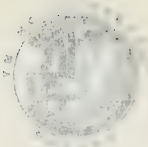
8 REQUESTED CORRECTIONS TO THE OFFICIAL TRANSCRIPTS

- 9 p 1064A - line 17: Replace 46.2% with 6.2%
- 10 pp 1070-71: Pages are transposed
- 11 P 1260 - line 6: Replace "company names" with "common  
12 names"
- 13 p 1279 - line 4: Replace "they stock from" with "they  
14 stop from"
- 15 p 1286 - line 12: Replace "part members" with "associate  
16 members"
- 17 p 1314 - line 28: Should read "Canadian Pharmaceutical  
18 Manufacturers' Association"
- 19 p 1328 - line 25: Replace "can realize suppliers" with  
20 "can realize economies"
- 21 p 1338 - line 17: Delete the word "ataractic" which  
22 appears in the phrase "which has  
23 another ataractic drug"

24 THE CHAIRMAN: Thank you very much Mr. Hume  
25 and thank you Mr. Little.

26 MR. ROBINETTE: Mr. Chairman, I have Mr.  
27 W.A. Leslie of Montreal here and I would ask that either  
28 he be heard now or the first thing in the morning. Would  
29 that be possible?

30 THE CHAIRMAN: Mr. Robinette, let's just have



1 into the possibility of our obtaining this information  
 2 from the United States. However, the case has not as yet  
 3 come up for trial, and the records are now being held by  
 4 the office of the Attorney General, State of New Jersey.  
 5 The official in charge of the case is Mr.  
 6 B. Rieg, Deputy Attorney General, State of New Jersey.

8 REQUESTED CORRECTIONS TO THE ORIGINAL TRANSCRIPT

- 9 p 1054A - line 17: replace #6.25 with 6.25
- 10 p 1070-71: Pages are transposed
- 11 p 1060 - line 6: replace "company names" with "common names"
- 12 p 1070 - line 4: replace "they took from" with "they"
- 13 p 1080 - line 12: replace "past members" with "associate members"
- 14 p 1314 - line 28: should read "Canadian Pharmaceutical Manufacturers' Association"
- 15 p 1328 - line 25: replace "can realize suppliers" with "can realize economies"
- 16 p 1338 - line 17: Delete the word "steroid" which appears in the phrase which has another steroid drug"

17 THE CHAIRMAN: Thank you very much Mr. Little.

18 and thank you Mr. Little.

19 MR. ROBINETTE: Mr. Chairman, I have Mr.

20 W.A. Leslie of Montreal here and I would ask that either  
 21 he be heard now or the first thing in the morning. Would

22 that be possible?

23 THE CHAIRMAN:



1 a moment to find out what is going to happen tomorrow.  
2 Is the Committee agreed we will sit at 10 o'clock tomorrow  
3 morning? There is another situation with which I am  
4 concerned but I don't think that my convenience should  
5 hold up the Committee. I think the Committee should go  
6 ahead and if there is such a thing as a quorum, I am  
7 going to ask somebody to move that such of the Committee  
8 as are present tomorrow morning be constituted a Committee  
9 of the Committee to proceed with the taking of the evidence  
10 and Mr. Fullerton will be present to act as Chairman.

11 MR. BRYDEN: I will so move that Mr. Chairman.

12 THE CHAIRMAN: Carried unanimously. We will  
13 proceed, in any event. Will that be convenient Mr. Fuller-  
14 ton, to hear Mr. Leslie - what is the company's name Mr.  
15 Robinette?

16 MR. ROBINETTE: Ayerst McKenna and Harrison  
17 Limited of Montreal.

18 MR. P.N. THORSTEINSSON: Mr. Chairman, I have  
19 the same problem with Mr. Brown of Burroughs-Wellcome  
20 (Canada) Limited. I would ask that we follow this witness  
21 who is to start. Mr. Brown is here from Montreal.

22 THE CHAIRMAN: We may not be meeting here in  
23 this chamber. I think it will be in a Committee Room.  
24 Is that right, Mr. Gadsby?

25 MR. GADSBY: Committee Room No. 1.

26 THE CHAIRMAN: I think this is a much  
27 better place to hold the meeting.

28 MR. GADSBY: I would like it sir but I  
29 cannot have it any longer.

30 THE CHAIRMAN: Well then, in one of the





1 a moment to find out what is going to happen tomorrow.

2 Is the Committee agreed we will sit at 10 o'clock tomorrow

3 morning? There is another question which which I am

4 concerned but I don't think that my convenience should

5 hold up the Committee. I think the Committee should go

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7 going to ask somebody to move that such of the Committee

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9 of the Committee to proceed with the taking of the evidence

10 and Mr. Fullerton will be present to act as Chairman.

11 MR. BEYRON: I will so move that Mr. Fullerton,

12 THE CHAIRMAN: Carried unanimously. We will

13 proceed, in any event. Will that be convenient Mr. Fullerton?

14 Yes, to hear Mr. Beale - what is the company's name Mr.

15 Robinson?

16 MR. ROBINSON: Ayerst McKenna and Harrison

17 Limited of Montreal.

18 MR. F. M. THORNTON: Mr. Chairman, I have

19 the same problem with Mr. Brown of Toronto - Kellogg

20 (Canada) Limited. I would ask that we follow this witness

21 who is to start. Mr. Brown is here from Montreal.

22 THE CHAIRMAN: We may not be meeting here in

23 this chamber. I think it will be in a committee room.

24 Is that right, Mr. Gadsby?

25 MR. GADSBY: Committee Room No. 1.

26 THE CHAIRMAN: I think this is a much

27 better place to hold the meeting.

28 MR. GADSBY: I would like it all but I

29 cannot find it in my mind.

30 I think it is all right.



1 Committee Rooms tomorrow morning and you can start with  
2 Mr. Leslie and then Mr. Brown.

3 MR. McINTOSH: Mr. Chairman, I am Alex  
4 McIntosh. I represent the Frosst Company. Mr. Frosst is  
5 here from Montreal and although I am not asking that he be  
6 heard in any order, I would appreciate it very much if we  
7 could be heard tomorrow.

8 THE CHAIRMAN: I am sure Mr. Fullerton will  
9 take that into account. Any other representations to be  
10 made to the Committee tonight?

11 MR. BRYDEN: Before we adjourn Mr. Chairman,  
12 may I ask with regard to the future sittings of the  
13 Committee, if it is envisaged that representatives of the  
14 Hospital Services Commission, Health Department, perhaps  
15 also the Ontario Hospital Association, are likely to  
16 appear here?

17 THE CHAIRMAN: I think anybody who is  
18 interested in this Committee's work is on notice as of  
19 2 o'clock today. But if they want to come back, if they  
20 have got anything to add for the good of the Committee  
21 they will be heard. I think the Secretary has some communi-  
22 cation with some of these organizations as to gaps in their  
23 evidence. My information is that they have answered him  
24 in some of the detail that is required to complete their  
25 evidence. Is that right, Mr. Gadsby?

26 MR. GADSBY: Yes sir.

27 MR. BRYDEN: The reason I am raising this  
28 question is that, for example, we had evidence, when the  
29 Committee first started, from the representative of the  
30 Attorney-General's laboratory about certain experiments



Committee Room tomorrow morning and you can start with  
Mr. Leslie and then Mr. Brown.

McIntosh. I represent the Frost Company. Mr. Frost is  
here from Montreal and although I am not asking that he be  
I could be heard tomorrow.

THE CHAIRMAN: I am sure Mr. Fullerton will  
ask that into account. Any other representations to be  
made to the Committee tonight?

MR. BENTLEY: Before we adjourn Mr. Chairman,  
may I ask with regard to the future sittings of the  
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MR. GADSBY: Yes sir.

MR. BENTLEY: The reason I am raising this  
question is that, for example, we had evidence, when the  
Committee first started, from the representative of the  
Attorney-General's Laboratory about certain experiments





1 they have been undertaking with regard to testing. I  
2 thought if we could get further information how that  
3 worked out - another point I am interested in, I think it  
4 was the Hospital Association, I believe it may have been  
5 the Hospital Services Commission, said they were looking  
6 into the possibility of consolidating the purchases of  
7 drugs, certain drugs at any rate, for hospitals. I  
8 wondered if it would be possible to find out from them if  
9 they have gone any further.

10 THE CHAIRMAN: I don't know the answers to  
11 these questions. I would think that some of these bodies  
12 are awaiting the report and recommendation of this Committee.

13 MR. BRYDEN: Well, accept that if they have  
14 given some study to some of these matters, it would seem  
15 to me valuable for the Committee to find out what their  
16 thinking is on such things.

17 THE CHAIRMAN: Your suggestion is -\_\_?

18 MR. BRYDEN: I would like, if possible, to  
19 see the representatives of those bodies again come before  
20 the Committee, maybe for only a very brief period. They  
21 are the people most interested in the area to which our  
22 enquiry is primarily directed.

23 THE CHAIRMAN: Mr. Gadsby, would you look  
24 into this and speak to me about it?

25 MR. GADSBY: Yes sir.

26 THE CHAIRMAN: There being no further busi-  
27 ness, there is one comment I would make, and that is that  
28 without restricting the freedom of movement of those  
29 interested in, without trying to accelerate this hearing  
30 at all, it might be reasonable to presume that we might



I, [Name], do hereby certify that [Name] is a [Title] of the [Institution]

and that he is [Title] of the [Institution]

and that he is [Title] of the [Institution]

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1 conclude these hearings some time this week, which would  
2 leave the Committee then in the position that we would  
3 have had the bulk, or the evidence that we have called for  
4 and then since the Committee dies when the House sits a  
5 week from Wednesday, probably would need a resolution in  
6 the House to let us carry on, not with the intention of  
7 reviving the evidence, but with a view only to preparing  
8 and completing our report. Is that procedure agreeable  
9 to you gentlemen? We will adjourn until 10 o'clock in the  
10 morning.

11  
12 --- Whereupon the hearing adjourned until 10 a.m.,  
13 Tuesday, November 14th, 1961.

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9 to you gentlemen? We will adjourn until 10 o'clock in the

10 -- Whereupon the hearing adjourned until 10 a.m.







# Select Committee on Drugs

## HEARINGS

HELD AT  
PARLIAMENT BUILDINGS  
TORONTO, ONTARIO

VOLUME No.: 29 DATE:  
NOVEMBER 14 1961

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TORONTO

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SELECT COMMITTEE ON DRUGS

Proceedings of hearings  
held at Parliament Buildings,  
Toronto, Ontario, on Tuesday,  
the 14th day of November, 1961,  
at 10.10 a.m.

COMMITTEE:

MR. H. L. ROWNTREE, Q.C. --- Chairman

-----

MR. J.A. FULLERTON --- Acting Chairman

MR. J. TROTTER

MR. R. E. SUTTON

MR. R.J. BOYER

MR. N. WHITNEY

MR. H.J. PRICE

MR. K. BRYDEN

MR. J. WHITE

MR. G.F. LAVERGNE

\_\_\_\_\_

MR. S.J. GADSBY, F.C.I.S., Secretary

MR. HAROLD A. RICE -- Committee Counsel

MR. W.J. AYERS -- Accounting  
Consultant to  
the Committee







/hm 1 ---On resuming at 10.10 a.m.

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THE ACTING CHAIRMAN: Gentlemen, we will call the meeting to order. This is will a committee on the Committee to receive information and the first on the list is Mr. W. A. Leslie, Chairman of the Board of Ayerst, McKenna and Harrison Limited of Montreal.

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MR. ROBINETTE: Mr. Chairman, may I introduce to you Mr. Leslie from Montreal who, as you say, is chairman of the board of Ayerst, McKenna and Harrison Limited. This is one of the companies that participated in the information given to Mr. Little, the figures are included in his compilation. They are also one of the companies which, at an early stage in this enquiry, said they would co-operate and come forward to provide the figures on a confidential basis.

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MR. LESLIE: Mr. Chairman and gentlemen, I was born in London Ontario and I have devoted most of my time to pharmacy in various phases. I graduated from the Ontario College of Pharmacy with a degree of pharmaceutical chemist and a B.A. in Chemistry. I spent about fourteen years in the retail business in Toronto prior to joining Ayerst, McKenna & Harrison Limited in 1934. I was transferred to head office in 1942 and somewhere around the year 1946 I became president and two and a half years ago I assume the position I now hold as Chairman of the Board.

28

29

30

I merely state that to let you know I have had some experience in the various stages of pharmacy as it all ties together.

...on remaining at 10.10 a.m.

THE FORTH BRIDGE, FORTH, we will

will be meeting in order. This is with a committee on

has Committee to receive information and the first on the

that is Mr. W. A. Leslie, Chairman of the House of Commons.

Mr. Leslie and Mr. Leslie Limited in Scotland.

... Mr. Leslie, Mr. Leslie, may I thank

... to you Mr. Leslie, Mr. Leslie, may I thank

... of the Board of Directors, Mr. Leslie and Mr. Leslie

... This is one of the most important parts of the

... the information given to Mr. Leslie, the figures are

... in his confidential report, they are also one of the

... which will be of great value to the company, said

... of the Board of Directors and some of the

... of the Board of Directors.

... Mr. Leslie, Mr. Leslie and Mr. Leslie.

... to the Board of Directors and I have devoted most of

... time to the study of various matters. I suggested that

... the Board of Directors of the company with a degree of

... of the Board of Directors and a degree of

... the Board of Directors in the year 1944, prior to

... the Board of Directors, Mr. Leslie and Mr. Leslie in 1944. I

... the Board of Directors in 1944 and some of the

... the Board of Directors in 1944 and some of the

... the Board of Directors in 1944 and some of the

... Board.

... I mainly have had to let you know I have

... and some experience in the various stages of

... as it all comes together.





1 I am pleased to appear before your Committee  
2 in the hope that what I have to say will be of assistance.  
3 We appreciate your Committee has been given a difficult  
4 task to enquire into a situation which must seem quite  
5 complex to those not fully acquainted with the industry  
6 and distribution of pharmaceuticals. We agreed, according  
7 to the record, volume 14, pages 1422 and 1423 along with  
8 three other members of the Canadian Pharmaceutical  
9 Manufacturers Association to discuss with your counsel,  
10 the area in which you may be interested to have our evidence.  
11 We have not been invited to such discussions nor have we  
12 received any information or request for answers to any  
13 specific questions from counsel or your Committee. We  
14 invited the Committee to see our plant in Montreal and we  
15 now renew that invitation.

16 Apart from this we have noted from evidence  
17 given to your Committee at earlier hearings that many of  
18 the witnesses had little if any knowledge about ethical pharma-  
19 ceuticals in Canada, its operation or its contribution to the he  
20 and welfare; had no concept whatever of the pharmaceutical  
21 research being carried out in Canada. Statements have been  
22 made frequently by irresponsible people in many places  
23 that Canada contributed nothing to research of penicillin  
24 during the war. We feel it is our duty to the industry  
25 and to ourselves to explain something about the industry  
26 and to describe some of the research activities going on  
27 in Canada. Consequently, in these circumstances we feel  
28 the best service we can render to the Committee at this  
29 time would be to present a short history of our company  
30 and a resume of the highlights of the research carried  
on in our laboratories. I trust this will be of interest





1 to you and may dispel some misgivings you may have had in  
2 these areas. I have a few pictures of our plant here  
3 that may be of interest to you folks.

4 SUBMISSION OF

5 AYERST, McKENNA & HARRISON LIMITED

6 APPEARANCES:

Mr. W. A. Leslie

7 Mr. J. J. Robinette, Q.C.

8 AYERST, McKENNA & HARRISON LIMITED was  
9 incorporated under a federal charter in 1924 and commenced  
10 business early in 1925. The company's original founders,  
11 W.A.S. Ayerst, W.J. McKenna, William Harrison and Hugh  
12 McPherson, were all Canadians with years of executive  
13 experience in the pharmaceutical manufacturing field. The  
14 rapid initial and subsequent development of the company  
15 was largely due to their background of experience and  
16 unusual foresight.

17 AYERST, McKENNA & HARRISON LIMITED, a  
18 Canadian company in the pharmaceutical industry, carries  
19 out with the most extensive pharmaceutical research facilities  
20 in Canada, the major part of the research work for  
21 its U.S. affiliate and its many branches in foreign  
22 markets. Ayerst's philosophy has always been to discover  
23 and develop the finest and most useful medicinal compounds  
24 possible within the several fields of research in which it  
25 is working.

26 In the early years of the industry, research  
27 did not play the dominant role it does today. Yet from the  
28 very beginning, the founders adopted the basic policy that  
29 the company's future progress would be keyed to its own  
30 and related research efforts. For example, one of their





To you and may depend some misgivings you may have had in  
these areas. I have a few pictures of our plant here  
which may be of interest to you.

AMERICAN STONEWARE CO. LTD.

Mr. A. A. Bessie

AMERICAN STONEWARE CO. LTD.

AMERICAN STONEWARE CO. LTD.

incorporated under a federal charter in 1914 and commenced  
business early in 1915. The company's original business  
was the manufacture of stoneware, which has since been  
expanded to include all types of stoneware and ceramic  
products. In the pharmaceutical industry, the  
company has been instrumental in the development of the  
industry and has been a major factor in the expansion and  
growth of the industry.

AMERICAN STONEWARE CO. LTD.

General company in the pharmaceutical industry, carries  
out with the most extensive pharmaceutical research facilities  
in the world. The major part of the research work for  
the U.S. is done here and many branches in foreign  
markets. American Stoneware has always been to discover  
and develop the finest and most useful medicinal compounds  
possible within the several fields of research in which it  
is working.

In the early years of the industry, research  
did not play the dominant role it does today. Yet from the  
very beginning, the founders adopted the basic policy that  
the company's future progress would be based on its own  
and related research efforts. For example, one of their



1 initial undertakings was to set up the first commercially  
2 operated biological laboratory in Canada. Through this  
3 facility, the company produced biologically tested and  
4 standardized cod liver oil, the first one of its kind to  
5 be made available on this continent. Four years later,  
6 as a result of continued research, the first concentrated  
7 cod liver oil, known as "ALPHAMETTE" was introduced to  
8 North America.

9 Subsequent years proved the founders' research  
10 philosophy to be correct. Because of this the company, as  
11 soon as profits were available, set aside a portion for  
12 research and development purposes and this has continued  
13 through its history.

14 In 1930, the company entered into a close  
15 collaboration with Dr. J.B. Collip and McGill University,  
16 through which "EMMENIN", the first orally active estrogen  
17 and several pituitary gland extracts were developed in the  
18 Ayerst laboratories. This was the result of Dr. Collip's  
19 interests as head of the Department of Endocrinology at  
20 McGill which he organized. Earlier, Dr. Collip played an  
21 important part in the research leading to the development  
22 of insulin therapy for diabetes, and as a result his  
23 principal interests were in the evaluation and properties  
24 of hormones from the endocrine glands. The product  
25 "EMMENIN" and the gland extracts created a great deal  
26 of interest with outstanding endocrinologists and  
27 bynecologists in the United States and the demand for these  
28 products there eventually led to the establishment of a  
29 subsidiary company at Rouses Point, N.Y. in 1934 known as  
30 Ayerst, McKenna & Harrison (U.S.) Limited. This expansion

initial undertakings was to set up the first commercially operated biological laboratory in Canada. Through this facility, the company produced biologically treated and standardized cod liver oil, the first one of its kind to be made available on this continent. Four years later, as a result of continued research, the first concentrated cod liver oil, known as "ALPHABETIC" was introduced to the market.

Subsequent years proved the foundation research philosophy to be correct. Because of this the company, as soon as products were available, set aside a portion for research and development purposes and this has continued through the history.

In 1930, the company entered into a close relationship with Dr. J.R. Collip and McGill University, through which "VITAMIN", the first orally active extract and several other gland extracts were developed in the Ayerst Laboratories. This was the result of Dr. Collip's interests as head of the Department of Endocrinology at McGill which he organized. Later, Dr. Collip played an important part in the research leading to the development of insulin therapy for diabetes, and as a result his principal interests were in the evaluation and properties of hormones from the endocrine glands. The product "VITAMIN" and the gland extracts created a great deal

of interest with outstanding endocrinologists and physicians in the United States and the demand for these products there eventually led to the establishment of a subsidiary company at Rosser Point, N.Y. in 1934 known as McKenna & Harrison (U.S.) Limited. This expansion





1 required considerable additional captial, some of which  
2 was obtained in Britain.

3           The establishment of this successful sub-  
4 sidiary in the United States by a Canadian pharmaceutical  
5 company is unique and was only made possible by the results  
6 of Ayerst's research group in developing the new product  
7 "EMMENIN". Later, the position of the American company was  
8 advanced into a large progressive operation mainly because  
9 of the development of a new, and more potent, orally active  
10 estrogen, "PREMARIN", in the Ayerst Research Laboratories.

11           In these early years, considerable research  
12 was carried out on natural Vitamin B complex as obtained  
13 from wheat germ and brewers yeast, and this resulted in  
14 the Ayerst line of Beminal products. This research gave  
15 considerable knowledge in the field and enabled the company  
16 to conduct more extensive work in the various synthetic  
17 factors of the B complex when they became available, such  
18 as B<sub>1</sub>, riboflavin, nicotinamide, etc. Here again, the  
19 first potent B complex product, in the form of tablets and  
20 injectable material, was offered by Ayerst. At the same  
21 time, considerable collaboration was carried on with the  
22 two internationally famous nutritionists - Dr. F. Tisdall  
23 and Dr. T. Spies, in the development of the various  
24 vitamin products which were sold in Canada.

25           In 1935, the Veterinary division was in-  
26 augurated. The first products marketed were feeding oils  
27 for poultry feed which included veterinary cod liver and  
28 many other fish liver oils with a high vitamin A and D  
29 content. This led to the necessity of developing a method  
30 of producing Vitamin D<sub>3</sub> required to fortify these fish

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was obtained in Britain.

The establishment of this successful unit-

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company, is unique and was only made possible by the results

of Ayer's research group in developing the new product

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of the development of a new, and more potent, orally active

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In these early years, considerable research

was carried out on natural Vitamin B complex as obtained

from wheat germ and brewers yeast, and this resulted in

the American use of Genital products. This research gave

considerable knowledge in the field and enabled the company

to account more effectively with the various synthetic

forms of the B complex when they became available, such

as B<sub>1</sub>, riboflavin, nicotinamide, etc. Here again, the

first natural B complex product, in the form of tablets and

capsules, was offered by Ayer's. At the same

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and Dr. J. Ayer, in the development of the various

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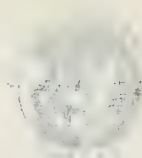


1 liver oils. This was done, and gradually a complete line  
2 of veterinary products developed, including baterins,  
3 sera and vaccines and veterinary pharmaceuticals.

4 In 1940, the Export department of Ayerst  
5 came into being and Ayerst products soon were being  
6 distributed in many countries including Cuba, the West  
7 Indies, Latin American countries and South Africa. This  
8 business was gradually expanded and today complete manu-  
9 facturing units are operating in South Africa, Italy,  
10 Brazil, Mexico and Australia.

11 According to plans, during the early war  
12 years, the research staff was steadily increased and their  
13 work branched out into many fields. New capital was  
14 urgently required to properly develop the sales potential  
15 in the U.S. market. Our U.S. company was in no position  
16 to obtain the necessary priorities particularly in  
17 equipment, machinery and apparatus for the conduct of its  
18 business. At the same time, the founders were looking to  
19 retirement and how best under wartime conditions to ensure  
20 the planned development of both the Canadian and U.S.  
21 companies. All of this culminated in 1943 with the acquisi-  
22 tion of Ayerst, McKenna & Harrison Limited and its U.S.  
23 subsidiary by American Home Products Corp. The new affilia-  
24 tion with American Home Products Corp. was good for  
25 Ayerst and for Canada. No change in executive personnel  
26 was made in Ayerst (Canada) - Canadian management still  
27 administers and operates the company. Through this  
28 association, priority difficulties were largely solved  
29 for the U.S. company and vital aid was obtained in securing  
30 U.S. priorities for the Canadian company. Plans had  
already been made for new buildings to house our research





river oils. This was done, and gradually a complete line of veterinary products developed, including bacterins, sera and vaccines and veterinary pharmaceuticals.

In 1940, the Export Department of Ayerst

came into being and Ayerst products soon were being distributed in many countries including Cuba, the West Indies, Latin American countries and South Africa. This business was gradually expanded and today complete manufacturing units are operating in South Africa, Italy, Brazil, Mexico and Australia.

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manufacturers and operates the company. Through this

association, priority difficulties were largely solved

for the U.S. company and vital aid was obtained in securing

U.S. priorities for the Canadian company. Plans had

already been made for new buildings to house our research



1 and production at Saint-Laurent, Que. The land had been  
2 purchased and the research building actually started.  
3 The necessary capital was made available immediately to  
4 complete all building plans comprising research, control,  
5 production and administrative buildings at the new loca-  
6 tion at Saint-Laurent.

7               Early in 1943, a great deal of research  
8 effort was being directed towards devising ways and means  
9 of producing penicillin by the pharmaceutical industry  
10 throughout the world. A year earlier Ayerst's laboratory  
11 had obtained cultures of several mould species which had  
12 been reported to have antibiotic activity. Later that  
13 same year, it received cultures of "Penicillin notatum"  
14 which were produced from Fleming's original strain. These  
15 were grown experimentally in its laboratory and several  
16 methods of producing a satisfactory active product were  
17 pursued.

18               Consequently, in July 1943 when Ayerst offered  
19 to make its facilities available to the Federal govern-  
20 ment for the production of penicillin for the Armed  
21 Services, it had qualified scientific personnel functioning  
22 as a research team. This group had some preliminary experience  
23 in penicillin research and, most important, had access to  
24 valuable technical information and know-how from affiliated  
25 firms which at that time had made considerable progress in  
26 penicillin production.

27               Late in September 1943, authorization was  
28 given to proceed with temporary facilities for the pro-  
29 duction of penicillin by the Department of Munitions and  
30 Supply. Work proceeded in Ayerst laboratories and in a



and production at Saint-Lambert, Que. The land had been  
leased and the research building recently started.

The necessary capital was made available immediately to  
complete all building plans comprising research, control,  
production and administrative buildings at the new Saint-  
Lambert, Que.

Early in 1945, a great deal of research

effort was being directed towards devising ways and means  
of producing penicillin by the pharmaceutical industry  
throughout the world. A year earlier Ayerst's laboratory  
had obtained cultures of several mold species which had  
been reported to produce penicillin.

One year, or twelve cultures of "penicillin mold",  
which were produced from Fleming's original strain. These  
were grown experimentally in the laboratory and several  
attempts of producing a satisfactory active product were

Consequently, in July 1945 when Ayerst offered

to make the facilities available to the Federal Govern-

ment for the production of penicillin for the Armed

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with a research team. This group had some preliminary experience

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valuable technical information and know-how from affiliated

institutions which at that time had made considerable progress in

penicillin production.

Later in September 1945, authorization was

given to proceed with temporary facilities for the pro-

duction of penicillin by the Department of Munitions and

Supply. Work proceeded in Ayerst Laboratories and in a





1 temporary plant set up in the Old Longshoremen's Hall on  
2 Bonsecours Street in Montreal.

3 A crash program of approximately six weeks  
4 converted this auditorium into a penicillin fermentation  
5 plant, where penicillin mould was grown in thousands of  
6 large milk bottles in a continuous operation. The broth  
7 was harvested, concentrated, purified and then transferred  
8 to Ayerst's production department where it was ampouled and  
9 vacuum-freeze dried, ready for shipment to the Armed  
10 Services.

11 From this temporary plant, the first  
12 penicillin produced in Canada was made and the first ship-  
13 ment to the Armed Services was delivered before the end  
14 of December 1943.

15 Early in 1944, the Government penicillin  
16 plant was finished and in operation at Ayerst's location  
17 in Saint-Laurent. The bottle method of fermentation was  
18 shortly thereafter replaced by deep culture in large tanks,  
19 permitting more rapid production of many times greater  
20 quantities of this essential drug. As a result of such  
21 developments, the cost of producing penicillin of \$20 per  
22 100,000 original units has been reduced to the point where  
23 the selling price to hospitals is approximately 4 cents  
24 per 100,000 units.

25 In 1946, shortly after Waksman's discovery  
26 of streptomycin, Ayerst proceeded to produce the first  
27 streptomycin in Canada on a Pilot Plant scale. No supplies  
28 were available from the United States. Under the terms of  
29 an arrangement with the National Research Council, Ayerst  
30 supplied 60% of its production free of charge to doctors



A crash program of approximately six weeks

converted this sulphuric acid production

plant, where penicillin acid was known to be present at

large milk bottles in a continuous operation. The milk

was separated, concentrated, purified and then transferred

to a special production department where it was amplified and

vacuum-dried, ready for shipment to the Armed

Services.

From this temporary plant, the first

penicillin produced in Canada was made and the first ship-

ment to the Armed Services was delivered before the end

of December, 1945.

Early in 1946, the Government penicillin

plant was finished and is operating at a location

in Saint-John's. The plant is capable of producing 100

million units per year, which is a large volume in large terms.

Penicillin was rapidly produced in many times greater

quantities of this essential drug, as a result of such

development, the cost of producing penicillin of 450 per

100,000 original units has been reduced to the point where

the selling price to hospitals is approximately 15¢ per

100,000 units.

In 1946, shortly after Wakeman's discovery

of streptomycin, the Government proceeded to produce the first

streptomycin in Canada on a pilot plant scale. No supplies

were available from the United States. Under the terms of

an agreement with the National Research Council, against

supplied 50% of the production free of charge to doctors



1 across the country and 40% was sold to the Department of  
2 Veterans Affairs on a cost basis. The streptomycin  
3 allocated by the Committee was shipped prepaid air express  
4 at Ayerst's expense. This arrangement lasted from July  
5 until November 1946 when production by Merck and Ayerst  
6 permitted allocation to hospitals directly. Streptomycin  
7 at that time sold for \$25 a gram, the price is now 40 cents  
8 a gram to the hospitals.

9                   It may be of interest to explain why we  
10 needed an allocating committee. We were starting with a  
11 rather small production from a pilot plant and we had  
12 frantic calls from doctors all across the country for  
13 supplies of streptomycin for this, that and the other  
14 disease which they had heard would be most useful and we  
15 could not say "You can have it and you cannot have it".

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across the country and 10% was sold to the Department of  
Veterans Affairs on a cost basis. The transportation  
allocated by the Committee was shipped prepaid air express  
at Ayrault's expense. This arrangement lasted from July  
until November 1946 when production by Merck and Ayrault  
permitted allocation to hospitals directly. Transportation  
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It may be of interest to explain why we  
needed an allocating committee. We were working with a  
rather small production from a pilot plant and we had  
trouble selling from doctors all across the country for  
supplies of streptomycin for this, that and the other  
disease which they had heard would be most useful and we  
could not say "You can have it and you cannot have it."



1                   So we approached the National Research  
2 Council to set up an allocating committee. I just managed  
3 to pick up a little notice that we sent out on July 31st,  
4 1946, describing to the doctors across the country that  
5 there were three medical men set up on this committee:  
6 Manitoba and Western Canada, Dr. Lennox Bell; for Ontario,  
7 Dr. Phillip Gray; Toronto and Quebec, and Eastern Canada,  
8 Dr. Fred Smith. The doctor had to make his request to one  
9 of these committee doctors. They, in turn, would get in  
10 touch with us to supply and ship the material. We did it  
11 on an around-the-clock basis. I can well remember  
12 Saturdays, Sundays and holidays having calls, sometimes in  
13 the middle of the night from some of the doctors on the  
14 committee that so-and-so needed some streptomycin urgently  
15 and to get it out to him. We took it out to Dorval and  
16 shipped it to have it arrive there as quickly as possible  
17 to take care of those conditions. That is just one of the  
18 things that goes on in the pharmaceutical industry from  
19 time to time, that a company is called on to do as a little  
20 extra service.

21                   In 1951, during the Korean war, penicillin  
22 was in very short supply in the United States, Great  
23 Britain and Canada as a result of world conditions. At  
24 the time, the Canadian government was greatly concerned  
25 about the availability of sufficient supplies of penicillin  
26 in Canada in case of an emergency. Early in 1951, Ayerst,  
27 McKenna & Harrison Limited decided to extent its penicillin  
28 production to ensure an adequate source of the drug in  
29 Canada for National and Civil Defence if required.

30                   We had to wait for the steel for construction



So we approached the National Research

Council he set up an allocating committee. I just managed

to get a few more people on the committee.

There were three medical men set up on this committee:

Dr. Fred Smith, the doctor who was his request to one

of these committee doctors. They, in turn, would see in

room with us to supply and ship the material. We did it

on an around-the-clock basis. I can well remember

Dr. Smith, Dr. Smith and Dr. Smith, sometimes in

the middle of the night from some of the doctors on the

committee had to and we needed some stereotypical, regularly

and to get it out to him. We took it out to Dr. Smith and

shipped it to have it arrive there as quickly as possible

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things that went on in the pharmaceutical industry then

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was in very short supply in the United States. Great

Britain and Canada as a result of world conditions. As

the time, the Canadian Government was greatly concerned

about the availability of sufficient supplies of penicillin

in Canada in case of an emergency. Early in 1951, Apotex

Pharmaceuticals & Chemicals Limited decided to export its penicillin

production to ensure an adequate source of the drug in

Canada for National and Civil Defence if required.

We had to wait for the steel for construction





1 of the building and priorities for the structural steel  
2 to make the equipment which took some time, three or four  
3 months. There was no obligation on the part of the Govern-  
4 ment only they would have first call, the Crown would have  
5 first call on our production.

6 This costly expansion was undertaken by the  
7 company, considering it essential to the Canadian prepared-  
8 ness effort. However, by the time the new facilities were  
9 in operation, the world-wide shortage had been dissipated.  
10 Excess production from the United States and foreign markets  
11 found their way into Canada at distress prices making it  
12 almost impossible for us to successfully compete, especially  
13 in Government business. As a result, the company suffered  
14 very substantial losses with respect to these facilities.

15 The somewhat dynamic changes taking place  
16 during the war years in the scientific research field  
17 naturally had their impact on Ayerst's research activities.  
18 To keep abreast of these changes, a completely new and  
19 fully equipped Research laboratory, Pilot Plant and Control  
20 laboratory were established at the Saint-Laurent location  
21 in 1944, which greatly facilitated the continued expansion  
22 in our research program. In addition, enlarged production  
23 and administration facilities were required and by 1948 the  
24 complete operations of the company were moved from inade-  
25 quate rented premises in the down-town area to the new  
26 buildings at Saint-Laurent.

27 From this time onward, the pattern of the  
28 company's progress continued to be one of steady growth,  
29 both in terms of sales volume and research activity. In  
30 1950 the Company entered into an arrangement with the





1 Pharmaceutical Division of Imperial Chemical Industries  
2 Limited of Great Britain to co-ordinate research plans to  
3 mutual advantage. From this association several therapeu-  
4 tically effective compounds have been developed and these  
5 are now being successfully marketed in several countries.  
6 The most recent drug in this series is the new anesthetic  
7 "FLUOTHANE", a product which is currently gaining a very  
8 rapid acceptance in hospitals. Clinical investigation on  
9 "FLUOTHANE" was carried out in Canada and the United States  
10 on some 20,000 cases before being released for sale.

11 A similar type of research liaison has also  
12 been arranged with several other European groups, and as a  
13 result Ayerst laboratories have been engaged in the scree-  
14 ning and testing of many compounds from outside sources in  
15 addition to our own. In order to supply the pharmacological  
16 and histological information required by the Food & Drug  
17 Administration, both in Washington and Ottawa, a new buil-  
18 ding was added in 1958 to provide further space and the  
19 necessary controlled condition to properly house the  
20 animals required for this purpose.

21 The need for new and greatly enlarged  
22 research facilities during 1958 became quite apparent and  
23 plans were formulated to build two buildings devoted  
24 exclusively to research. These buildings, with 44,000  
25 sq. ft. of floor space, house the Company's main research  
26 activity, one building for Chemical Research and the other  
27 for Pharmacological Research, and are of advanced functional  
28 design, completely air conditioned and equipped with the  
29 latest modern laboratory features and equipment. They are  
30 considered to be the largest and best equipped research







1 laboratories in the pharmaceutical industry in Canada.

2 In addition to diversified Production faci-  
3 lities, which include separate chemical and hormone labora-  
4 tories, Ayerst maintains complex Quality Control labora-  
5 tories, also classed as the most extensive of their kind  
6 in the industry in Canada.

7 Ayerst products represent a broad cross-  
8 section of pharmaceuticals generally available to hospitals  
9 and the medical professions and veterinary professions.  
10 They include antibiotics, antitussives, ataraxic drugs,  
11 hormones, and geriatric products, vitamin combinations,  
12 hematinics, anesthetics, anti-histamines, sulfonamides,  
13 anti-spasmodic and anti-epileptic drugs as well as a  
14 complete line of veterinary items.

15 The staff consists of 605 persons, broken  
16 down as follows:

17 133 Research laboratories  
18 45 Control laboratories  
19 118 Sales department, office and outside  
20 121 Production  
21 105 Administration  
22 83 Service and Depots

23 The list includes a substantial number of  
24 exceptionally qualified scientific personnel such as:

25 27 Ph. D.  
26 68 M.Sc. and B.Sc.  
27 8 Doctors of Medicine  
28 41 Pharmaceutical Chemists (Phm.B. and  
29 Ph.G.)  
30 3 Chemical Engineers



...in the ...  
 ...  
 ...

... After maintaining complete quality control ...  
 ... also classed as the most extensive of their kind  
 ... in the industry in Canada.

... represent a broad cross-  
 ... section of pharmaceuticals generally available to hospitals  
 ... and the medical professions and veterinary professions.  
 ... antibiotics, antituberculars, antineoplastic drugs,  
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 ... and anti-epileptics as well as a  
 ... complete line of veterinary drugs.  
 ... The stock consists of 100 percent, broken

... as follows:  
 183 Research Laboratories  
 186 Sales department, office and outside  
 191 Production  
 197 Administration  
 202 Service and Repair

The list includes a substantial number of  
 ... exceptionally qualified scientific personnel such as:  
 27 Ph.D.  
 68 M.Sc. and B.Sc.

... Doctors of Medicine  
 ...  
 ...





2 Doctors of Veterinary Medicine  
55 Technicians

It can rightfully be claimed that Ayerst, McKenna & Harrison Limited should be classified as an asset to the Canadian pharmaceutical industry and an asset to the economy of Canada, affording employment to Canadian citizens and making it possible to retain a number of well qualified scientific personnel in Canada

At this point I would like to make this statement, Mr. Chairman: we are not boasting about our large facilities in research and quality control but are saying we are proud we have them here in Canada. We have an advantage. Frosst and Company are doing an excellent job of research. Horner are also expanding and doing a very useful job there to. We have the advantage because we have support from our American affiliate to make it possible for us to have these facilities in Canada and we would like to let people know about it and keep them here and enlarge them.

My whole point in bringing this history and research activity to your attention is to endeavour to describe what goes into the building of a pharmaceutical industry - company - and how extensive research and quality control facilities must be an example of what is being done in Canada by others as well as ourselves and what we hope will be repeated in the future. The following resume of research activities will have a few items repeated which were referred to in the history. This was difficult to change as the material was from two sources in our company and was put together to bring to you. If you wish I will forego reading the 30 years of research. I would commend it to your Committee's attention

McLennan & Harrison Limited should be classified as an asset  
to the Canadian pharmaceutical industry and an asset to the  
economy of Canada, affording employment to Canadian citizens  
and making it possible to retain a number of well qualified  
scientific personnel in Canada.

At this point I would like to make this statement.

Mr. Chairman, we are not boasting about our large  
facilities to research and quality control but are saying  
we are proud we have them here in Canada. We have an advanced  
laboratory. Fisons and Company are doing an excellent job of

research. Fisons are also expanding and doing a very useful  
job here too. We have the advantage because we have support  
from our American affiliates to make it possible for us to  
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change as the material was from two sources in our company  
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forego reading the 30 years of research. I would commend





1 as I am sure it will be of interest. However, I would like  
2 to leave with you the role we have endeavoured to fill in  
3 the industry and our hopes for the future.

4 We have been assisting in the building of a  
5 pharmaceutical industry in Canada. We are looking to the  
6 day when Canada will be pretty well self-sufficient in  
7 this area. Every full-blooded Canadian will support such  
8 a goal - I am sure.

9 We are not too concerned about the price of  
10 pharmaceuticals from Italy or other low income countries,  
11 but more concerned about assisting the fine chemical  
12 companies in Canada, producing more and more pharmaceutical  
13 chemicals in Canada. If these chemicals are available from  
14 Canadian manufacture, we prefer to buy them here, even  
15 allowing for some difference in price over material from  
16 foreign sources. If not available in Canada, we turn to  
17 the U.S.A. or Great Britain and deal with chemical manufac-  
18 turers we know and in whom we have complete confidence.

19 We can take no chances on materials we buy,  
20 they must be up to our specifications and we must have a  
21 guaranteed continuous supply.

22 There are, however, some chemicals made by  
23 research laboratories with whom we collaborate in Great  
24 Britain and other European countries, which we may use in  
25 the manufacture of products, and sell under license. These  
26 are the only sources of the manufacture of these chemicals  
27 and we are glad to have them for the Canadian market on  
28 import, until we are in a position to have them made in  
29 Canada. We are keen advocates of building business in  
30 Canada to give employment to more and more Canadians - we







1 sell Canadians, why shouldn't we BUY Canadian even though  
2 the cost may be somewhat higher.

3 We are just completing a new Pilot Plant in  
4 conjunction with our research laboratories costing in the  
5 neighbourhood of \$300,000 to \$400,000.

6 This plant is necessary to manufacture inter-  
7 mediates and chemical compounds developed in our labora-  
8 tories many of which had to be imported made to our speci-  
9 fications by outside laboratories equipped to perform this  
10 service.

11 Further quantities were then required for  
12 studies in pharmacology and finally sufficient to conduct  
13 clinical investigations if the findings in pharmacology so  
14 indicate.

15 These chemicals will now be produced by  
16 ourselves and it is entirely within reason that we may be  
17 able to extend our facilities to manufacture our require-  
18 ments of these chemicals for the Canadian market.

19 An ethical pharmaceutical industry has been  
20 built in Canada by members of the CPMA over the years. An  
21 association formed when there were very few regulations  
22 governing pharmaceutical manufacturing. Perhaps the only  
23 group of member companies, in an association where they  
24 actually police themselves to maintain the highest stan-  
25 dards. An industry whose members are dedicated to the  
26 responsibility of developing and marketing the finest  
27 pharmaceuticals possible, leaving no stone unturned nor  
28 expense, necessary to insure their potency, purity and  
29 safety as well as therapeutic efficacy.

30 The industry as it has grown with the



1 self Canadian, why shouldn't we BUY Canadian even though

2 the cost may be somewhat higher.

3 We are just completing a new pilot plant in

4 ... ..

5 ... ..

6 This plant is necessary to manufacture inter-

7 ... ..

8 ... ..

9 ... ..

10 ... ..

11 Further details were then required for

12 ... ..

13 ... ..

14 ... ..

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17 able to expand our facilities to manufacture our entire

18 ... .. for the Canadian market.

19 An added pharmaceutical industry has been

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22 ... ..

23 ... .. of member companies, to an association where they

24 ... .. to maintain the highest stan-

25 ... .. in industry whose members are devoted to the

26 responsibility of developing and marketing the finest

27 pharmaceutical products, leaving no stone unturned nor

28 expense, necessary to insure their potency, purity and

29 safety as well as therapeutic efficacy.

30 The industry as it has grown ... ..





1 assistance of its association in the CPMA and what it  
2 stands for, has gained the highest respect from the CMA  
3 and from the Food & Drug Directorate.

4 It is to our association both the CMA and  
5 the F & D Directorate turn when matters concerning the  
6 industry may require discussion, whether it be for assis-  
7 tance or for the establishment of regulations for the good  
8 of the profession and for the public.

9 We are performing our responsibility as a  
10 Canadian Pharmaceutical industry of developing a stable  
11 business with an extensive range of pharmaceuticals which  
12 we are relied on to supply to the profession, the hospital  
13 and the public.

14 All this is respectfully submitted. If there  
15 are any questions I can answer for you that may develop out  
16 of the research story that might be of interest, I would be  
17 glad to.

18 THE ACTING CHAIRMAN: Thank you for your  
19 informative brief. We appreciate it. Mr. Rice?

20 MR. RICE: Mr. Chairman, the 30 years of  
21 research, do you wish that taken into the record as read?

22 MR. LESLIE: I would hope you do.

23 THE ACTING CHAIRMAN: Yes.

24 THIRTY YEARS OF AYERST RESEARCH

25 A digest of some of the highlights.

26 Soon after incorporation in 1925, the founders  
27 of Ayerst realized the importance of research in the deve-  
28 lopment of pharmaceutical products, especially those in  
29 the biological field, and dedicated themselves to the  
30 development of this aspect of pharmaceutical advance at a



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20 MR. RICE: Mr. Chairman, the 30 years of  
21 research, do you wish that taken into the record as well?

22 MR. LESLIE: I would hope you do.  
23 THE ACTING CHAIRMAN: Yes.

24 THIRTY YEARS OF ACTIVE RESEARCH  
25 A digest of some of the highlights.

26 Soon after incorporation in 1925, the founders  
27 of Avast realized the importance of research in the deve-  
28 lopment of pharmaceutical products, especially those in  
29 the biological field, and dedicated themselves to the  
30 development of this aspect of pharmaceutical advance at a



1 time when few firms subscribed to this view.

2 In the early days they introduced a biologi-  
3 cally standardized cod liver oil, one of the first in North  
4 America to supply such a product. This meant the establish-  
5 ment of a biological assay laboratory, and here Dr. A.S.  
6 Cook and a handful of helpers set up the bio-assay tests  
7 for vitamins A and D, at a time when these vitamins were  
8 to all intents and purposes scientific curiosities.

9 At this time, the important heart drug Digi-  
10 talis was badly in need of some method of standardization,  
11 and a bio-assay on frogs was set up in the Ayerst labora-  
12 tories to provide a standard product for human use. Subse-  
13 quently, the Canadian government supplied samples of the  
14 international standard Digitalis powder, so that uniform  
15 potency could be guaranteed to the heart specialist, and  
16 this was used in comparative assays.

17 In 1930, Dr. Collip and his associates at  
18 McGill University reported on their studies on an orally  
19 active female sex hormone. Ayerst immediately entered  
20 into this new field working in close collaboration with  
21 the McGill investigators and made "EMMENIN" available to  
22 the medical profession as the first orally active estro-  
23 genic female sex hormone.

24 This meant considerable expansion in the  
25 laboratory endeavours. The staff and the animal colony  
26 had to be considerably enlarged, and in addition a control  
27 laboratory was initiated for concomitant assays using the  
28 new chemical method recently developed for estrogens.

29 A second hormone product, the anterior  
30 pituitary-like hormone "A.P.L." was also made and released





time when few firms subscribed to this view.

In the early days they introduced a biologi-

cally standardized seed liver oil, one of the first in North

America.

They also introduced a first standard for the oil.

A standard for the oil was set up in the early days.

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The standard for the oil was set up in the early days.

The standard for the oil was set up in the early days.

Cells were used in need of some method of standardization.

and a standard for the oil was set up in the early days.

Subse-

quently, the Canadian government awarded a grant of the

International Standardization Commission, so that uniform

methods could be prescribed to the heart of the oil, and

this was used in comparative analysis.

In 1910, Dr. Gellie and his associates at

McGill University reported on their studies on an early

active female sex hormone. Against immediately entered

into this new field working in close collaboration with

the McGill University and the "TUMOR" available to

the medical profession as the first early active anti-

gonal agent.

This meant considerable expansion in the

field of research. The staff and the animal colony

had to be expanded to meet the new requirements.

The standard for the oil was set up in the early days.

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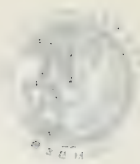


1 to the medical profession following a study of methods of  
2 isolation and purification in our laboratories, and here  
3 again extensive biological assays to ensure a uniform  
4 standardized product were elaborated. This being an injec-  
5 table hormone preparation, a bacteriological group was  
6 added to perform the necessary tests for safety, and  
7 sterility of the final product.

8           In this period of the 1930's, the Ayerst  
9 laboratories were also associated with Dr. Collip and his  
10 associates at McGill in the preparation, purification and  
11 assay of a number of different hormones from the anterior  
12 pituitary gland. These comprise the following hormone  
13 preparations, gonadotrophin, growth hormone, thyrotrophin,  
14 adrenocorticotrophin (ACTH), prolactin, and polyansyn  
15 (total hormone extract). The provision of these prepara-  
16 tions entailed very considerable investigations to ensure  
17 clinically acceptable products, and the development and  
18 standardization of suitable assay methods for determining  
19 the different hormone activities. Considerable quantities  
20 of Prolactin were made at this time and its assay required  
21 a special assay technique using pigeons as test objects.

22           In 1937, Ayerst branched into a new field,  
23 the manufacture of bacteriologicals.

24           The first preparation was staphylococcus  
25 toxoid, prepared and standardized in the new laboratory  
26 by the methods developed by Professor E.D.C. Murray and  
27 his group at McGill University. A highly potent prepara-  
28 tion, this toxoid was well accepted by the medical profes-  
29 sion. It involved again new techniques of standardization  
30 of the toxins, of the potency of the resulting toxoid, and



to the medical profession following a study of methods of  
isolation and purification in our laboratories, and have  
again extensive biological assays to ensure a uniform  
standardized product were elaborated. This being an injec-  
table hormone preparation, a bacteriological group was  
added to perform the necessary tests for safety, and  
sterility of the final product.

In this period of the 1930's, the thyroid  
laboratories were also associated with Dr. Collip and his  
associates at McGill in the preparation, purification and  
assay of a number of different hormones from the anterior  
pituitary gland. These comprise the following hormone

14. androstenedione (ADH), prolactin, and oxytocin
15. (total hormone extract). The provision of these prepara-
16. tions entailed very considerable investigations to ensure
17. satisfactory hormone products and the development and
18. standardization of suitable assay methods for determining
19. the different hormone activities. Considerable quantities
20. of material were made at this time and the assay required
21. a special assay technique using viscous test systems.
22. In 1945, Hyatt proceeded into a new field,

the manufacture of bacteriological  
The first preparation was staphylococcus  
which, prepared and standardized in the new laboratory  
by the methods developed by Professor E.D.C. Murray and  
his group at McGill University. A highly potent prepara-  
tion, this toxin was well accepted by the medical profes-  
sion. It involved again new techniques of standardization  
of the toxin, of the potency of the resulting toxin, and





1 its safety and sterility. This toxoid is to this date,  
2 the most potent staphylococcus toxoid available.

3 At this time also, a second bacteriological  
4 project was initiated, one of very considerable extent and  
5 cost. Ayerst entered into the production of antipneumo-  
6 cocal sera (rabbit), the new treatment for pneumonias  
7 developed by Dr. Horsfel (Rockefeller Institute, New York),  
8 and found more effective and less toxic than the older serum  
9 from horses.

10 This involved elaborate laboratory investi-  
11 gations including growth of virulent organisms, standardi-  
12 zation of the vaccines, courses of immunization of the  
13 rabbits, bleeding of the animals to supply the antisera,  
14 preparation of immune globulins from the sera, assay for  
15 potency, and tests for aerobic and anaerobic sterility,  
16 pyrogen tests, and safety of the final filled product.  
17 Specific antisera (rabbit) for all thirty-two types of  
18 pneumococcal infections were made available for clinical  
19 use, and proved outstanding in human therapy.

20 In 1938 a group under Dr. G.A. Grant began  
21 the study, preparation and assay of purified concentrates  
22 of the new "blood clotting" vitamin K discovered by Dr.  
23 Henrik Dam (Denmark). A standard bioassay method was  
24 worked out using chicks suffering from dietary K deficiency.  
25 From this work, Ayerst marketed the second Vitamin K prepa-  
26 ration made available for clinical use to combat bleeding.  
27 Continuing this research, synthetic compounds with Vitamin  
28 K were developed and marketed by Ayerst for oral, intra-  
29 muscular and intravenous use replacing the original Vitamin  
30 K concentrates made from Alfalfa. The use of these





1 compounds has continued over the last 20 years. It is  
2 interesting to note that Ayerst, McKenna & Harrison  
3 supplied considerable amounts of an injectable water  
4 soluble Vitamin K product to the U.S. Armed Services.

5 In 1939 because of the replacement of anti-  
6 pneumococcus serum by sulfapyridine, our research chemical  
7 group quickly turned to the synthesis of the new sulfa,  
8 released as "Sulfadine", the first Canadian made sulfa  
9 drug. Others were then synthesized - "Sulfathiazole",  
10 "Sulfamethylthiazole", etc. and the data for manufacture  
11 given over to an outside chemical plant for quantity  
12 production.

13 1939 was also the year of another new and  
14 what subsequently proved to be a most important development  
15 in our research laboratories. The advent of a cheap new  
16 synthetic estrogen (Diethylstilboestrol) put the future  
17 role of the more expensive "Emmenin" in considerable jeo-  
18 pardy. A new source had to be found to prepare an orally  
19 active estrogen much more potent than "Emmenin".

20 After considerable research, a new source  
21 was found and methods of extraction perfected which  
22 resulted in "Premarin". "Premarin" was supplied in a  
23 potent oral dosage form and became quickly recognized as  
24 the finest orally active oestrogen hormone available.  
25 Today, "Premarin" is being used by physicians in at least  
26 30 foreign markets.

27 In the early 50's, a specially purified  
28 product to be known as "Premarin" intravenous was  
29 developed for general clinical use as an agent to reduce  
30 uterine bleeding and later found to be useful in certain



...has continued over the last 20 years. It is

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1 other types of hemorrhage. The research discovery and  
2 development of "Premarin" perhaps holds number two position  
3 in the Canadian contribution through research to interna-  
4 tional medical therapy. Incidentally, research on this  
5 product and its various components is still very active  
6 in our laboratories today.

7 It should be stated here that no laboratory  
8 in the world is as knowledgeable about orally active estro-  
9 gens as the Ayerst laboratories. Our scientists have been  
10 invited to world international scientific conferences to  
11 present papers on our experience and know-how in this  
12 field.

13 The second decade in Ayerst Reserach saw  
14 the development of a combined Pertussis Toxoid Vaccine  
15 for therapy against whooping cough.

16 A new project in the vitamin field was ini-  
17 tially imposed as a result of wartime emergency. The  
18 development and production of Vitamin D<sub>3</sub> from cholesterol  
19 by irradiation for use as a vitamin supplement for poultry  
20 feed. D<sub>2</sub> was also produced by irradiation of ergosterol  
21 supplied as a vitamin supplement for use in animal and  
22 human nutrition.

23 A procedure was developed for the manufacture  
24 of Methyltestosterone an orally active androgen.

25 The bacteriology laboratory developed a new  
26 Ayerst product, a human cord globulin for clinical use in  
27 the therapy of measles. This group also prepared standar-  
28 dized Tetanus Toxoid and TABT in connection with possible  
29 requirements of the Armed Services.

30 In May 1943, as related in the history of



1 other types of hemorrhage. The research discovery and  
2 development of "hemorrhagic" bacteria which render the possible  
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1 Ayerst, the research group after reviewing the available  
2 data on Penicillin and their own earlier work, entered this  
3 field as a new Ayerst research venture. Realizing the  
4 urgent need of our Armed Services for the new antibiotic  
5 Penicillin unavailable to them from the U.S. or elsewhere,  
6 Ayerst, McKenna & Harrison offered their services in this  
7 connection to the Canadian Government in June 1943.  
8 Subsequently, Ayerst was assigned the project of producing  
9 Penicillin for the Canadian Armed Services. Connaught  
10 Laboratories and later Merck & Co. (Canada) received simi-  
11 lar assignments. So the initial meagre research in the  
12 antibiotic field became suddenly our major project. Until  
13 facilities for large scale operations in our new plants  
14 could be developed, the Ayerst research laboratories under-  
15 took the job of supplying as much as possible of the  
16 urgently required penicillin, and a study of methods for  
17 growing the mould, isolating and purifying the Penicillin,  
18 and the development of suitable assay methods for standar-  
19 dization of the antibiotics.

20 This project required the services of many of  
21 our research personnel as well as top production engineers.  
22 Research and development of processing, improvement in  
23 yields and assay methods were constant problems. Every  
24 few weeks in the first year found changes in all phases  
25 of Penicillin production and collaboration was fully main-  
26 tained with other Penicillin producers and Government  
27 bodies in the U.S. and Canada so that all the new develop-  
28 ments were quickly incorporated in the production and  
29 purification.

30 During our research studies on Penicillin,



1. At present, the research group is reviewing the available  
2. data on Penicillin and their own earlier work, entered this  
3. record as a new Avenue for research venture, realizing the  
4. urgent need of new types of antibiotics for the new antibiotic  
5. Penicillin. It is desirable to have it on the U.S. or elsewhere,  
6. At present, McKernan & McKernan are offering their services in this  
7. connection to the Canadian Government in 1944.  
8. Subsequently, Avenue was assigned the task of producing  
9. Penicillin for the Canadian Armed Forces. Consequently  
10. Laboratories and the Canadian Government (Canada) received similar  
11. assignments. In the initial design research in the  
12. antibiotic field, there was a fairly big project. Until  
13. facilities for large scale operations in our own plants  
14. could be developed, the experimental laboratories under  
15. the name of the project were set up as possible of the  
16. Agency required penicillin and a study of methods for  
17. growing the mold, including the cultivation of the Penicillin,  
18. and the development of a fairly easy method for standard  
19. analysis of the antibiotic.  
20. This project required the services of many of  
21. our research personnel and was a top priority on engineering.  
22. Research and development of penicillin, improvement in  
23. yields and easy methods were constant problems. Every  
24. few weeks in the first year, some changes in all phases  
25. of Penicillin production and cultivation was fully main-  
26. tained with other Penicillin producers and Government  
27. bodies in the U.S. and Canada so that all the new develop-  
28. ments were quickly incorporated in the production and  
29. cultivation.  
30. During our research studies on Penicillin,



1 Dr. Von Seemann was able to prepare crystalline Penicillin  
2 G and this was supplied at the request of our F.D.A. in  
3 Ottawa for use as the initial Canadian government standard  
4 Penicillin.

5 Still in the antibiotic field, studies were  
6 begun on the production, purification and assay of Strepto-  
7 thricin and Streptomycin, two new antibiotics just dis-  
8 covered by Dr. Selwin Waksman. The study resulted in the  
9 production of streptomycin by surface culture, isolated  
10 and purified by our new method and furnished by Ayerst as  
11 the first streptomycin made in Canada and supplied for  
12 clinical use - which again was referred to in the history  
13 of Ayerst.

14 A paper presenting our laboratory results on  
15 Streptomycin was given at the Montreal Physiological  
16 Society meeting October 28th, 1946 (Streptomycin, Prepara-  
17 tion and Properties; G.A. Grant, Ph.D., Ayerst, McKenna &  
18 Harrison Limited, and Professor Fred Smith, Department of  
19 Bacteriology, McGill University), clinical studies.

20 An anti-blood clotting agent as a result of  
21 Dr. Link's work in the coumarin derivative, was synthesized,  
22 its pharmacology and toxicity studied and made available  
23 as "Dicumarol" for use in cardiac patients following coro-  
24 nary and other infractions. (The only other supplier of  
25 this important drug at this time was Abbott Labs.).

26 Studies continued in 1946 on the estrogen  
27 and other sterols in Premarin and an extensive research  
28 project was entered into in this field in collaboration  
29 with Dr. Dobriner and his associates at the Sloan Kettering  
30 Institute for Cancer Research, N.Y. These studies involved







1 chemical fractionations, chromatographic separations, infra  
2 red and ultra violet spectrophotometric studies, etc. and  
3 continued over a four-year period.

4                   At the close of the second decade, the new  
5 pharmacology department was expanded to enable it to provide  
6 the necessary biological laboratory data now required for  
7 F.D.A. submissions on new drugs. This involved acute and  
8 chronic tests (of long duration) on mice, rats, rabbits,  
9 monkeys and dogs, and a complete gross and microscopic  
10 pathology of the various organs and tissues of the test  
11 animals. Pathology, histology, hematology, nutrition,  
12 endocrinology, etc. were thus necessary to provide the  
13 required toxicological data. One of the first drugs so  
14 investigated was "Antabuse". The new laboratory showed its  
15 worth when it was able to find that calcification of the  
16 brain stem was not, as had been hinted, an inherent property  
17 of the then new drug "Antabuse". Because of the nature of  
18 the "Antabuse" reaction desired in the human patient, a  
19 tremendous amount of data on the safety of the compound  
20 was required from the research laboratories.

21                   Microbiology and pharmacology obtained the  
22 required data on the solubility and bacteriostatic spectrum  
23 of various sulfas, and acetylated sulfa drugs, necessary  
24 comparative studies in the evaluation of the new "Thiosul-  
25 fil".

26                   During 1951, and the following year, as a  
27 result of representations from workers in South America,  
28 a project in cancer research was initiated. This involved  
29 the growth of the special mould, the isolation and purifi-  
30 cation of the anticancer antibiotic, using tumor screening







1 tests developed in mice as an indication of activity.  
2 Following much study, including the development of a  
3 method for the production of the product (termed "Bracan")  
4 in large scale submerged culture "tank fermenters", suffi-  
5 cient material was prepared, assayed and sent for clinical  
6 appraisal. The product in tolerated doses did not show  
7 marked effect, and due to its cost, further studies were  
8 abandoned (1953).

9                 Studies continued in the field of anti-cancer  
10 agents, including the screening of a number of new compounds  
11 for their regression properties against a number of trans-  
12 plantable tumors in animals.

13                 During the following years, a great many new  
14 medicinal compounds came to our laboratories through col-  
15 laboration with outside research groups. These compounds  
16 necessitated extensive pharmacological and toxicological  
17 investigations in order to determine proper dosage levels,  
18 toxicity, and therapeutic effects in animals before re-  
19 leasing the material for clinical studies. This work is  
20 also required for the preparation of New Drug Applications  
21 to the Food and Drug authorities in both Washington and  
22 Ottawa, for those compounds which prove to be of thera-  
23 peutic value.

24                 The following are some of the products out of  
25 hundreds tested in pharmacology which were successfully  
26 marketed -

27	Atravet	Riopan
28	Coomassie Blue	Suvren
29	Hibitane	Theruhistin
30	Murel	Thiosulfil





1 Mysoline

Valan

2 In addition to the compounds from outside  
3 sources, many new compounds were discovered in our own  
4 laboratories, all of which required evaluation in a similar  
5 manner.

6 One of the latest achievements of our  
7 research group was the discovery and synthesizing of a new  
8 antitussive compound, successfully marketed in 1959 after  
9 four years of work from the time of discovery to marketing  
10 under the trade name "Cotherra".

11 So as the end of the third decade approaches,  
12 Ayerst has provided a tremendous expansion in its research  
13 facilities, and these new laboratories now house a very  
14 considerable increase in the qualified staff for carrying  
15 out the many different research endeavours.

16 In the first ten years the main emphasis was  
17 on vitamins, hormones, and bacteriologicals, the next  
18 decade saw antibiotics, and synthetic medicinals added to  
19 the research projects. The last ten years has seen the  
20 addition of many new areas of research (involving natural  
21 products, antihypertensives, analgesics, anesthetics,  
22 antihistaminics, bronchodilators, C.N.S. drugs, enzyme  
23 products, anorexiant, antitussives, antiemetics, tranquil-  
24 lizers, oral progestogens and anti-fertility agents, new  
25 antifungal agents, new antibacterial agents, anti-cancer  
26 agents, etc.) in keeping with the multitude of efforts and  
27 investigations required today. In addition more extensive  
28 regulations on new drugs required now, and to be increased  
29 in the near future, will make necessary many additional  
30 studies in the chemical, pharmacological, and toxicological





In addition to the compounds from outside

sources, many new compounds were discovered in our own

laboratories. All of which required evaluation in a similar

One of the latest achievements of our

research group was the discovery and synthesis of a new

substituted compound, successfully marketed in 1950 after

four years of work from the time of discovery to marketing

under the trade name "Gardol".

So as the end of the third decade, however,

Agard has provided a tremendous expansion in its research

facilities, and these new laboratories now house a very

considerable increase in the qualified staff for carrying

out the many different research endeavors.

In the first ten years the main emphasis was

on vitamins, hormones, and pharmacologicals, the next

decade new antibiotics, and chemical medicine added to

the research program. The last ten years has seen the

addition of many new areas of research (involving natural

products, antibiotics, antitumor agents, etc.)

antitumor agents, antitumor agents, antitumor agents,

antitumor agents, antitumor agents, antitumor agents,

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antitumor agents, antitumor agents, antitumor agents,



1 laboratories, before the data will be acceptable to those  
2 entrusted with the ruling on the safety and efficacy of  
3 new drugs, and before they are released to the medical  
4 profession for use in therapy.

5                   In looking ahead into the next decade,  
6 research projects relating to antiviral agents, agents to  
7 control disorders of the cardiovascular system, anti-  
8 cancer agents, and agents more effective in mental disor-  
9 ders, will undoubtedly receive much increased attention.  
10 These projects will again demand more facilities and  
11 equipment, especially they will demand highly trained  
12 personnel with top qualifications in their respective  
13 research fields.

14                   Only in this way will participation in major  
15 scientific breakthroughs result.

16                   MR. RICE: Mr. Leslie, I gather from your  
17 history of the company that has developed relatively  
18 recently, in other words, from World War II?

19                   MR. LESLIE: Yes, I would say from the time,  
20 from the war and post-war, from that moment on it expanded  
21 for one simple reason, we were able to get the necessary  
22 capital to do the expansion, build our research facilities  
23 and production facilities and develop into associations  
24 which would be helpful to us and to Canada because of the  
25 research facilities. You see, in research studies, here  
26 is what happens, we couldn't have had the arrangement with  
27 Imperial Chemical Industries, nor with European research  
28 groups had we not had comparable teams of research people  
29 working in the same field they are working in so that the  
30 research information would be expanded at an early stage



1 I understand, before the time will be acceptable to the  
 2 or passed with the time on the subject and I think  
 3 new drugs, and for me they are related to the  
 4 profession to use in therapy.  
 5 In doing so, I think into the hands of  
 6 research projects and to individual agents, and  
 7 control disorders in the most essential and in  
 8 cancer agents, and which were a source of help in  
 9 these projects with their own kind of facilities and  
 10 equipment, especially they will demand highly in  
 11 personnel with top qualifications in their respective  
 12 research fields.  
 13 Only in this way will contribution in order  
 14 scientific advancement result.  
 15 In the past, the results of the war have been  
 16 history of the ongoing that are developed relatively  
 17 recently, in other words, from World War II.  
 18 Yes, I would say from the time  
 19 from the war and post-war, from that moment on it expanded  
 20 for the simple reason, we were able to get the necessary  
 21 capital to do the expansion, build our research facilities  
 22 and production facilities and develop into mass production  
 23 which would be related to us and to Canada because of the  
 24 research facilities. Yes, and in research findings, more  
 25 in what happens, we couldn't have had the arrangements with  
 26 groups and in the way of research, and in research  
 27 and in the way of research, and in research  
 28 and in the way of research, and in research





1 and both of us mutually developed the final production.

2 MR.RICE: Mr. Leslie, could it be said in  
3 the general observation of the Canadian pharmaceutical  
4 manufacturing industry as a whole that it has all expe-  
5 rienced a similar rapid expansion since World War II; is  
6 that correct?

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1 and both of us probably developed the final production.  
2 MY. HICHA: Mr. HicHA, could it be said in  
3 the General observation of the General observation?  
4 manufacturing industry as a whole that it has all ap-  
5 peared a similar type of situation since World War II, is  
6 that correct?



1 MR. LESLIE: I think the big break-through  
2 in hemotherapy came in just prior to the war. We had a  
3 very interesting experience, devastating, if you will --  
4 back in 1940. I think it is mentioned in the research  
5 picture here on page 15. It had to do with the development  
6 of antipneumococcal sera. This was a development of  
7 Dr. Horsfel of the Rockefeller Institute in New York.

8 We started in to produce, develop and produce  
9 a rabbit sera for treatment of pneumonias to replace the  
10 old serum from horses which was a rather a difficult thing  
11 to do. It caused a lot of reaction, and so on, and the  
12 rabbit serum was more closely allied to the serum in the  
13 blood of the human, so that there was no difficulty there.  
14 It proved to be a very effective treatment for pneumonias.

15 At the same time Lederles were doing the  
16 same thing in the United States; under Dr. Horsfel's  
17 development process, developing the rabbit serum -- 32  
18 different types. We had it ready, on the market, finished,  
19 and after two year's work -- almost immediately the  
20 Sulfapyridine appeared on the scene, the first of the sulfas,  
21 and we had to really close up the whole operation as far  
22 as the rabbit business was concerned. Our rabbit barns  
23 and all the material we had kept and so on -- it went down  
24 the drain because the sulfas took over.

25 Following the sulfas, came the penicillins,  
26 and that is where the big break-through in the whole  
27 industry came. There is no question about that.

28 MR. RICE: What I was trying to establish,  
29 compared to other industries that have a slow development,  
30 this rapid expansion is a feature of the drug industry?





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MR. LITTLE: I think the big break-through

in hematology came in just prior to the war. We had a

very interesting experience, devastating, it was with --

back in 1940. I think it is mentioned in the research

picture here on page 15. It has to do with the development

of antipneumococcal sera. This was a development of

D. Horsfall of the Rockefeller Institute in New York.

We started in to produce, develop and produce

a rabbit sera for treatment of pneumonias to replace the

the serum from horses which was a rather a difficult thing

to do. It caused a lot of reaction, and so on, and the

rabbit serum was more closely allied to the serum in the

blood of the human, so that there was no difficulty there

it proved to be a very effective one for treatment.

At the same time Indian were doing the

some thing in the United States; Robert D. Horsfall's

development process, developing the rabbit serum -- 52

different types. We had it ready, on the market, finished

and after two years' work -- almost immediately the

Sulfapyridine appeared on the scene, the first of the sulfa

and we had to really close up the whole operation as far

as the rabbit business was concerned. Our rabbit sera

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MR. RICE: What I was trying to establish

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1 MR. LESLIE: I don't think we are alone  
2 when you get into other fields like the electronic field  
3 and so on. War seems to bring out the necessity to  
4 develop a lot of things, and I think from that we had our  
5 share in the pharmaceutical industry in the explosion,  
6 if you will, of the whole industry the same as you find  
7 in any other manufacturing industry.

8 MR. RICE: Would it be your observation that  
9 there would be a similar amount of competition to get in  
10 on this bandwagon, if you want to call it that?

11 MR. LESLIE: Yes, competition, certainly.  
12 When you go back to the earlier days of what we call the  
13 pharmaceutical industry -- incidentally, I wonder if any  
14 of you gentlemen read this book of Mr. Mahoney, "The  
15 Merchants of Life" -- retired public relations and ad-  
16 vertising executive -- and he went back and picked up all  
17 the old companies that started in in the pharmaceutical  
18 industry back in the years from 1880 to the 1900's, and  
19 found that every one was either started by a doctor or a  
20 pharmacist to try and produce a better product.

21 Well, that is the kind of thing that started  
22 in those days and kept on going and improving, and more  
23 in the field of better pharmaceutical products, if you will,  
24 better administration and so on, until we got into the  
25 1930's, middle 1930, when hemotherapy came in, and these  
26 other things.

27 At that time if the companies in the 1930's  
28 did not have the research facilities and the scientific  
29 personnel to be able to handle the new hemotherapy and  
30 antibiotic things, then they were left by the wayside, but



MR. LESLIE: I don't think we are alone

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pharmaceutical industry -- incidentally, I wonder if any

of you gentlemen read this book of Mr. Manning, "The

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vertising executive -- and he went back and picked up all

the old companies that started in in the pharmaceutical

industry back in the years from 1880 to the 1920's, and

found that every one was either started by a doctor or a

pharmacist to try and produce a better product.

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in those days and kept on going and improving, and more

in the field of better pharmaceutical products, if you will

better administration and so on, until we got into the

1930's, middle 1930, when chemotherapy came in, and these

other things.

At that time if the companies in the 1930's

did not have the research facilities and the scientific

personnel to be able to handle the new chemotherapy and

antibiotic things, then they were left by the wayside, but





1 the ones that had the foresight to have research people  
2 and scientific personnel in their set-up, they were in a  
3 better position as far as moving ahead in that type of  
4 thing.

5 Does that answer your question?

6 MR. RICE: I understood from Mr. Robinette's  
7 introductory remarks that your company had been contribu-  
8 tors to the compilation of Mr. Little?

9 MR. LESLIE: Yes.

10 MR. RICE: Have you read Mr. Little's  
11 compilation?

12 MR. LESLIE: Yes.

13 MR. RICE: Does it appear to be in line with  
14 your operation?

15 MR. LESLIE: Pretty well in line with our  
16 operations.

17 MR. RICE: Extensive research that is carried  
18 on at your plant, what percentage ---

19 MR. LESLIE: I would tell you this: The  
20 percentage of research -- I don't mind telling you this --  
21 it runs in the neighbourhood of 8%. That is only possible  
22 because, as I said before, we have the support of the  
23 American affiliate; otherwise we just could not do it.

24 MR. RICE: And your research benefits are  
25 available to your American affiliates?

26 MR. LESLIE: Absolutely.

27 MR. RICE: And they use your research?

28 MR. LESLIE: We work together as a team.  
29 What used to be a subsidiary of the Canadian company is  
30 now -- it is like the tail wagging the dog, but we work



the ones that had the foresight to have research people  
and scientific personnel in their set-up they were in a  
better position as far as moving ahead in that type of  
thing.

Now this means your company?

MR. RICE: I understood from Mr. Hollister's

introduction remarks that your company had been connected  
with the completion of Mr. Leslie's

MR. LESLIE: Yes.

MR. RICE: Have you read Mr. Leslie's

complaint?

MR. LESLIE: Yes.

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MR. RICE: Extensive research that is carried

on at your plant, what percentage --

MR. LESLIE: I would tell you what the

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available to your American affiliates?

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MR. RICE: And they use your research?

MR. LESLIE: We work together as a team.

Now, this is the way we work together as a team.

It is like the tail wagging the dog, but we work



1 closely together on research and even control; a lot of  
2 control work.

3 MR. RICE: Your company has a price list of  
4 all its products it produces?

5 MR. LESLIE: Yes.

6 MR. RICE: And has your price list of your  
7 products changed in the past two years?

8 MR. LESLIE: The past two years? Well, there  
9 is always change. Mainly in the antibiotic and the in-  
10 jectable penicillin and oral penicillins and combinations  
11 of penicillin and sulphas.

12 Apart from that there has been minor changes,  
13 but none on the upside.

14 MR. RICE: All decreases?

15 MR. LESLIE: All decreases.

16 MR. RICE: Can you give the Committee any  
17 opinion as to what would cause the decrease in prices?

18 MR. LESLIE: Mainly competition.

19 MR. RICE: Have there been substantial  
20 decreases in prices or just gradual decreases?

21 MR. LESLIE: Well, there has been in some  
22 instances quite substantial. Again, especially in the  
23 penicillin field, but the others have been minor.

24 MR. RICE: With regard to penicillin, is  
25 penicillin being manufactured in Canada now?

26 MR. LESLIE: We are the only people manu-  
27 facturing. We are doing all the work of the manufacturing  
28 after the first intermediate is taken from the fermentation.  
29 We bring it in from the United States. When Merck closed  
30 up, we buy from the United States.





1 closely together on research and even control; a lot of  
control work.

2 MR. PRICE: Your company has a price list of  
3 all its products at present?

4 MR. PRICE: And has your price list of your  
5 products changed in the past two years?

6 MR. LESLIE: The past two years? Well, there  
7 is always change, mainly in the synthetic and the  
8 testable penicillin and oral penicillins and combinations  
9 of penicillin and sulphas.

10 Apart from that there has been slight changes  
11 but none on the upside.

12 MR. PRICE: All decreases?

13 MR. LESLIE: All decreases.

14 MR. PRICE: Can you give the Committee any  
15 opinion as to what would cause the decrease in prices?

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1                   The greater part of the penicillin production  
2 is after you get your first concentrate from the fermentation.  
3 That is when we start in and follow through all the  
4 different sulfa penicillins, if you wish, and crystallize,  
5 and so on. This we have explained to the Department.  
6 Excise knows our whole operation as far as what goes on  
7 in the manufacture of penicillin.

8                   MR. RICE: What is this concentrate from the  
9 fermentation? Was that manufactured in Canada at one time?

10                  MR. LESLIE: Which?

11                  MR. RICE: This concentrate that you import,  
12 was that manufactured at one time in Canada?

13                  MR. LESLIE: Merck manufactured it. In the  
14 fermentation of penicillin, an antibiotic, they take their  
15 first concentrate out of a fermentation as a certain salt,  
16 and then from there they go on and elaborate what was  
17 necessary in the chemical reactions, and so on, to produce  
18 the final product, purification and crystallization and so  
19 on. That was made by Merck here in their Valleyfield  
20 operation.

21                  MR. RICE: Streptomycin, is it manufactured  
22 in Canada?

23                  MR. LESLIE: No. When Merck closed up the  
24 Valleyfield plant, streptomycin production stopped.

25                  MR. RICE: Your company still markets it?

26                  MR. LESLIE: Yes.

27                  MR. RICE: What is your name for streptomycin?  
28 Under what name do you market it?

29                  MR. LESLIE: Streptomycin, and its combina-  
30 tions. We have streptomycin with penicillin, which we call



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1 Fortimycin. I believe that is the trade name.

2 MR. RICE: I believe, Mr. Chairman, the  
3 brief of Mr. Leslie has covered the field as far as Ayerst  
4 is concerned, unless the Committee have any questions.

5 THE ACTING CHAIRMAN: Have any of the members  
6 of the Committee anything to ask Mr. Leslie?

7 MR. BOYER: In Mr. Leslie's presentation  
8 he mentioned in earlier times that his firm was associated  
9 with universities in research. I was wondering if that  
10 applies today. Are you associated ---

11 MR. LESLIE: Yes, we tie in. Times have  
2 12 changed. We tie in with one university project after  
13 another. We still do some work with McGill, and it is  
14 different today because we, in our own research laboratories  
15 have a definite purpose. I mean we have a different team  
16 doing a definite thing.

17 In the university projects we try to pick  
18 out something in the university that we are interested in,  
19 and have them go ahead and do some work on their own, which  
20 is useful from the post-graduate standpoint, assisting  
21 their post-graduate students, and the money goes to help  
22 the whole cause.

23 MR. BOYER: The bulk of your research is  
24 done by yourself?

25 MR. LESLIE: Yes, it must be. We have our  
26 hands full there right now.

27 MR. BOYER: Is that general throughout the  
28 pharmaceutical industry?

29 MR. LESLIE: No, I think it is -- some  
30 companies would have quite a bit of research going on in



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companies would have quite a bit of research going on in



1 universities and hospitals, which is their way of doing  
2 research if they don't happen to have research facilities  
3 available.

4 MR. BOYER: From a business point of view,  
5 which would be ideal, to have your own laboratories doing  
6 your own research or having a university doing the work?

7 MR. LESLIE: I think it is a mixture. I  
8 don't think you can say. From an economic standpoint, yes,  
9 I think doing research in your own premises is the  
10 preferable one, but you never know when somebody in a  
11 university at a lab is going to hit something, and it may  
12 be the opening wedge to some new development that we or  
13 somebody else may be interested in, and they work together.  
14 I think that is the best way to say it. Any research done  
15 in universities and in hospitals and the industry, they  
16 have a place, they fit together in some way.

17 MR. BOYER: You might take some development  
18 in a university laboratory then and continue it in your  
19 own laboratory?

20 MR. LESLIE: Right. You see they may not  
21 have the facilities that are necessary. That is one reason  
22 why I would like you gentlemen to come down and see Mr.  
23 Frosst's place and ours to let you see the type of equipment  
24 and people that are there that is necessary to carry on  
25 research in this exploding industry.

26 MR. BOYER: It is a very appealing invitation,  
27 Mr. Chairman. Thank you, Mr. Leslie.

28 MR. BRYDEN: Mr. Chairman, I would like to  
29 ask a few questions. If I heard you correctly in answer  
30 to one of Mr. Rice's questions, I believe you said something





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ask a few questions. If I heard you correctly in answer

to one of Mr. Rice's questions, I believe you said something



1 to the effect that the major price decrease that has  
2 taken place has been in relation to penicillin?

3 MR. LESLIE: Penicillin and penicillin  
4 products, yes.

5 MR. BRYDEN: Penicillin is one of the few  
6 major drugs now in use on which there is no patent; is  
7 that correct?

8 MR. LESLIE: Yes. Streptomycin, the same.  
9 There is one type of streptomycin that is patented, and  
10 the others are not.

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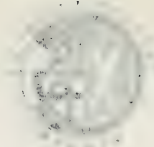
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1 MR. BRYDEN: Do you think that the fact  
2 that there are no patents was a factor in the very sub-  
3 stantial decrease in prices that have taken place over  
4 the years, and the fact that the prices seem quite low?

5 MR. LESLIE: No I don't. I could go back  
6 into this up to my ears. About the time of the Korean  
7 War when we were asked by the Department of the Director  
8 General of Medical Services if we would be in a position  
9 to supply sufficient penicillin in case the Korean War  
10 broke into a world conflict, we asked them for their  
11 estimate of what they thought they would need and told  
12 them, frankly, that it would be impossible unless we  
13 doubled our capacity.

14 At that time we, Mr. McKenna and I, were  
15 travelling around Ottawa trying to get somebody to say,  
16 "We will get you a priority so that you can go ahead and  
17 build". I don't mind telling you it was a big decision  
18 to make. At that time I remember that in the United States  
19 they were turning thumbs down on expansion of penicillin  
20 plants in the United States, for this reason, that the  
21 United States had moved out into export markets, where  
22 they could not get United States dollars, and had set up  
23 penicillin plants either on a local basis, as far as  
24 ownership was concerned -- at any rate, they set them up  
25 at the same time they were increasing their production  
26 in the United States.

27 As soon as these new penicillin plants got  
28 into operation, their markets were cut off from export as  
29 far as we were concerned and the United States, and still  
30 they continued to increase their production in some plants



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they were building plants even in connection with penicillin

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1 in the United States. I know of one large plant that was  
2 all set up to go, and they just closed it up and never  
3 even turned a wheel in it, because they were ready to  
4 produce penicillin but the export market had taken over.

5 When that happened, the amount of penicillin  
6 running out of everybody's ears was terrific, so the price  
7 just went right down like that. In some cases it went  
8 down to the point that it was sold below cost of loading  
9 inventory, and during the same time as we were negotiating  
10 to get priority to build our extension.

11 Through the help of some of our affiliates  
12 we were able to reduce or improve the recovery on peni-  
13 cillin by almost double in something like six months.

14 If we had known that, we would never have  
15 needed to enlarge the facilities. The thing was, because  
16 of the improved production recovery and all this extra  
17 building around the world, penicillin was just like sugar.

18 MR. BRYDEN: Doesn't that more or less --  
19 your explanation of your answer seems to me not to support  
20 your answer regarding patents.

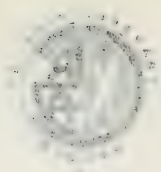
21 MR. LESLIE: The patent had nothing to do  
22 with that.

23 MR. BRYDEN: There was a great increase in  
24 production and facilities and naturally improvement in  
25 methods.

26 MR. LESLIE: You see it was a wartime  
27 situation and everybody was into it as long as they had  
28 facilities and personnel to do it.

29 MR. BRYDEN: So everybody was in it, so  
30 prices started to go down, didn't they? Wouldn't that be





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MR. BRYDEN: So everybody was in it, so  
prices started to go down, didn't they? Wouldn't that be



1 a fair conclusion?

2 MR. LESLIE: There are two reasons, one  
3 is increased recovery in production --

4 MR. BRYDEN: Oh yes, the improved method  
5 would naturally be bound up in it.

6 You stated that your company spends 8% of  
7 its sales revenue on research?

8 MR. LESLIE: Right.

9 MR. BRYDEN: Which I judge would be sub-  
10 stantially higher than most companies in Canada. Would  
11 that be a fair statement?

12 MR. LESLIE: No, I think that if you take  
13 into consideration the research that some of the companies  
14 are charged for by the parent company, it would fit pretty  
15 well into that picture.

16 MR. BRYDEN: The figure for the average is  
17 3.8 including what they are directly charged with, and  
18 your 8% is in that average?

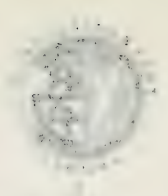
19 MR. LESLIE: Yes, but the majority of the  
20 people that answered that question are less.

21 MR. BRYDEN: So that actually the average  
22 comes about from some companies doing substantial amounts,  
23 such as yourselves, being averaged in with others that are  
24 doing little or none?

25 MR. LESLIE: That is right.

26 MR. BRYDEN: You gave us your percentage on  
27 research. Would you be inclined to give us also your  
28 percentage on promotion?

29 MR. LESLIE: Our promotion is pretty well  
30 in line with Little's figure, maybe a little less, but I



1 a fair conclusion?

2 MR. LESLIE: There are two reasons, one

3 is increased recovery in production --

4 MR. BRYDEN: Oh yes, the improved method

5 would naturally be bound up in it.

6 You stated that your company spends 8% of

7 the sales revenue on research.

8 MR. LESLIE: Right.

9 MR. BRYDEN: Which I judge would be app-

10 stantially higher than most companies in Canada. Would

11 that be a fair statement?

12 MR. LESLIE: No, I think that if you take

13 into consideration the research that some of the companies

14 are doing for the same amount of money, it would be pretty

15 well into that picture.

16 MR. BRYDEN: The figure for the average is

17 3.8 including what they are directly charged with, and

18 your 8% is in that average?

19 MR. LESLIE: Yes, but the majority of the

20 people that answered that question are less.

21 MR. BRYDEN: So that actually the average

22 comes about from some companies doing substantial amounts,

23 such as yourselves, being averaged in with others that are

24 doing little or none?

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30 in line with Little's figure, maybe a little less, but I





1 am not prepared to tell you how much. However here is  
2 an interesting thing, since you brought that up.

3 Two years ago when there was so much  
4 criticism about direct mail advertising, we decided we  
5 could cut back partly, which we did and then last year  
6 we practically cut it out. It would be of interest to  
7 you to know that we saved about one and three-quarters per  
8 cent on our advertising.

9 MR. BRYDEN: On your which?

10 MR. LESLIE: By the direct mail, by cutting  
11 out direct mail.

12 MR. BRYDEN: You save one and three-quarters  
13 per cent on what?

14 MR. LESLIE: On our advertising. In other  
15 words if advertising was, say, 10% of our sales dollar,  
16 then by cutting out the direct mail, that was cut down to  
17 about seven and one-quarter, no, eight and one-quarter I  
18 should say, about one and three-quarter per cent was saved.

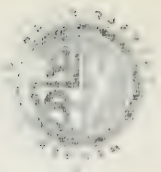
19 MR. BRYDEN: But it was not one and three-  
20 quarters per cent of your advertising, but one and three-  
21 quarters per cent of what was taken out of your advertising  
22 bill?

23 MR. LESLIE: Yes, taking the sales dollar,  
24 if you have ten, this would be one and three-quarters per  
25 cent of the sales dollar.

26 MR. BRYDEN: Did you find any significant  
27 effect on your sales?

28 MR. LESLIE: Yes, we lost business.

29 MR. BRYDEN: You lost business by doing  
30 that?



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1 MR. LESLIE: Yes.

2 MR. BRYDEN: Because everybody else was  
3 carrying on with that, I suppose?

4 MR. LESLIE: Well, it explodes an idea that  
5 has been thrown around and accepted. This idea comes from  
6 a few people. I think these people that have spoken about  
7 direct mail advertising are not actually speaking for the  
8 Canadian Medical Association. They are speaking for them-  
9 selves. Sure, we all get lots of mail, so much we just  
10 can't possibly handle it all, and some of it trickles  
11 through. If 15 or 20% of that trickles through, it pays  
12 off.

13 MR. BRYDEN: So as far as direct mail is  
14 concerned, a company would engaged in a substantial pro-  
15 gramme in the hope that a small percentage of it might  
16 have some impact?

17 MR. LESLIE: Yes. Some companies use more  
18 direct mail than others. If we knew a better way to do  
19 it, we would love to be told.

20 Detailmen, journal advertising, direct mail  
21 are the three avenues we have, and I think anybody in the  
22 pharmaceutical industry would say that the detailman,  
23 properly trained, is the finest contact that the medical  
24 profession has to get information about drugs.

25 Direct mail is a reminder and is a means of  
26 getting to the doctor some information you want to get  
27 there in a hurry, and reprint containing valuable informa-  
28 tion you want him to have on his desk, and then the journal  
29 advertising is of assistance as a reminder, more or less  
30 announcing that this is being done or this has been developed





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1 and it is available, and so on.

2 MR. BRYDEN: You mentioned reprints. They  
3 have been mentioned before in this enquiry, and I would  
4 say they appear to me to be in most cases a very useful  
5 form of communicating information. My information is that  
6 reprint actually constitutes a very small percentage of  
7 direct mail promotion, is that your experience?

8 MR. LESLIE: No, I would not say it is small.  
9 It is a very useful thing because after you have done  
10 the clinical work by reputable men and they have done this  
11 clinical work and have edited their report which can  
12 appear in the medical journals, from that we can do reprints.  
13 It is authentic and shows the work that has been done,  
14 and all of us like to get hold of those reprints to hand  
15 on to the medical profession.

16 There again, if some of those are thrown  
17 away in the waste paper basket, it is too bad. They are  
18 valuable information.

19 MR. BRYDEN: I have no doubt they are,  
20 except as I said from what I have seen, the doctors have  
21 shown there were not very many reprints being sent.

22 MR. LESLIE: You can't have reprints in  
23 every mail.

24 MR. BRYDEN: No, you probably don't get  
25 articles in every mail.

26 MR. LESLIE: No, and it is only now and then  
27 you have a product that you are developing and planning  
28 on getting into the market and so on.

29 MR. BRYDEN: Your company markets the  
30 products called Miltown, does it not?



TORONTO, ONTARIO

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MR. BRYDIN: You certainly cannot get

reprints in every mail, but it is





1 MR. LESLIE: Yes.

2 MR. BRYDEN: Which is your name for mepro-  
3 bamate?

4 MR. LESLIE: Yes, meprobamate, that is  
5 right.

6 MR. BRYDEN: Do you advertise that extensively  
7 in the medical journals?

8 MR. LESLIE: We advertise it periodically,  
9 let us say, in medical journals, yes.

10 MR. BRYDEN: Do you advertise it as being  
11 non-addictive or suitable for prolonged therapy?

12 MR. LESLIE: If there are any holdbacks on  
13 this, yes, they are in there, let me tell you that. I  
14 have not seen our Miltown advertising for some time.

15 MR. BRYDEN: You did at one time, I know,  
16 advertise it that way and the parent company did too.

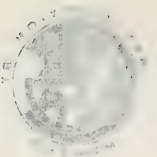
17 MR. LESLIE: It is a very mild tranquilizer  
18 with very few, if any, side effects if it is used within  
19 reason.

20 MR. BRYDEN: Your parent company is American  
21 Home Products?

22 MR. LESLIE: That is right.

23 MR. BRYDEN: Is that the company that either  
24 directly or through a subsidiary put on the market  
25 a product that used to be known as "Carter's Little Liver  
26 Pills?"

27 MR. LESLIE: No, you are getting that mixed  
28 up with the Wallace Laboratories which is the research  
29 part of Carter's. Carter's, sure, but I believe that is  
30 one of their old products in the proprietary field.



ANGUS STEINHILBER & CO. LTD.  
TORONTO, ONTARIO

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1 MR. BRYDEN: But they are not in your chain  
2 of companies?

3 MR. LESLIE: No.

4 MR. BRYDEN: Aren't they the people who  
5 handled Miltown?

6 MR. LESLIE: Yes, they are the people that  
7 discovered Miltown, Meproamate, in their research  
8 laboratory.

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1 MR. BRYDEN: This same product is marketed  
2 under a number of other names, is it not? Equanil?

3 MR. LESLIE: Equanil Wyeth, yes.

4 MR. BRYDEN: Is there any difference between  
5 the products apart from the difference in name?

6 MR. LESLIE: Between Equanil and Milltown?

7 MR. BRYDEN: Yes.

8 MR. LESLIE: No, they are the same source of  
9 supply and our specifications which we obtained from  
10 Wallace Laboratories and the specifications and the material  
11 to start off with and the way it had to be handled to pro-  
12 duce it satisfactorily.

13 MR. BRYDEN: That was given to Wyeth as  
14 well, they operate under this?

15 MR. LESLIE: Yes.

16 MR. BRYDEN: What about tranquiline?

17 MR. LESLIE: No, I forget who have it here,  
18 that is different. We know nothing about that. All we  
19 know is what we do ourselves. You see, meprobamate is a  
20 rather interesting situation and this again might explain  
21 something to you folks. When meprobamate was first intro-  
22 duced into Canada as a comparatively mild tranquilizer  
23 under the brand name of Equanil and Milltown there was no  
24 regulation to prevent its purchase over the counter. It  
25 gained wide acceptance by the physician because it just  
26 seemed to be what he wanted for a lot of these mild anxie-  
27 ties and mild nerve conditions and he prescribed quite a  
28 bit of it. The sale grew by word of mouth and you could  
29 buy it in the drugstores so the sales got out of hand as  
30 far as self-medication was concerned. About that time



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1 the duplicators saw a fine lucrative business to get into  
2 so he took steps to get the chemical for the tablet made  
3 and sell the retail druggist at lower prices than the  
4 brand name product, to try and get some of that business.  
5 About that time the Food and Drug Department of the Canadian  
6 Medical Association was concerned about the indiscriminate  
7 use of these meprobamates as well as other mild tranquili-  
8 zers and decided to have a regulation. Tranquillizers were  
9 put on prescription and right away the duplicator's sales  
10 were stopped in the drugstore because he was unknown to  
11 the physician, the physician was not prescribing his pro-  
12 duct so he had no place to sell it. I might say this; that  
13 the industry was wholeheartedly behind this kind of move  
14 against the indiscriminate use of this because we just did  
15 not like it. As a result the duplicator had to find  
16 other places to sell his material and he approached Govern-  
17 ment agencies and hospitals on a lower price basis and the  
18 prices kept going down lower and lower to the point that  
19 we could no longer compete on tenders for Government busi-  
20 ness with the quality product we had.

21 MR. BRYDEN: The duplicator had the effect  
22 of bringing the price down, did he not?

23 MR. LESLIE: For the duplicate product but  
24 not for ours. This is not a question of just getting  
25 some material and getting a tablet and throwing it out;  
26 we go through the same meticulous care for Milltown or  
27 any other tablet we put through and there are literally  
28 hundreds of tests before it comes through and goes out.  
29 It has to be put together, moisture, heat and everything  
30 else comes into the picture all the way through and we



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21 MR. STONERICH: The duplicator had the effect  
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1 have a quality product. We lost some business, sure, but we  
2 are happy to rest on the business as coming from hospitals  
3 and doctors who know the product, have confidence in it  
4 and are willing to prescribe it.

5 MR. BRYDEN: However, the duplicator has  
6 managed to make significant sales to Government agencies?

7 MR. LESLIE: Yes.

8 MR. BRYDEN: Would you say the Government  
9 agencies are now buying an inferior product?

10 MR. LESLIE: I won't say that but I will say  
11 this: the Government agencies have no way of properly  
12 testing drugs. They have a test by a simple final test of  
13 drugs for potency but that is not enough. The only proper  
14 place to control a drug is to build quality into it through  
15 the process as well as the final product.

16 MR. BRYDEN: The Food and Drug people also  
17 inspect plants?

18 MR. LESLIE: Not as much as they would like  
19 to.

20 MR. BRYDEN: I agree with that but if these  
21 products were supplied to the Federal Government agencies  
22 presumably the Food and Drug Directorate passed on them  
23 for the agency concerned. Is that not the situation?

24 MR. LESLIE: Well, they have arrangements,  
25 they have somebody in Ottawa test the drugs no matter who  
26 they come from, they run them through this test.

27 MR. PRICE: Sort of an independent company?

28 MR. LESLIE: No, it would be within the  
29 Government.

30 MR. BRYDEN: As I understand the Food and





I have a quality product, we lost some business, some, but we

and doctors who have the product, have confidence in it

and are willing to exercise it.

MR. BRYDEN: However, the duplication has

been used to make significant sales of Government agencies.

MR. BRYDEN: Would you say the Government

agencies are now paying an inferior product?

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that the Government agencies have no way of knowing

whether they have a false by a single firm out of

many few people and that is not enough. The only person

able to control a drug is to build quality into it through

the process as well as the final product.

MR. BRYDEN: The fact that they are able

to inspect plants?

MR. BRYDEN: They are not as they would like

to

MR. BRYDEN: I agree with that but it is

another way of looking at the fact that Government agencies

generally the food and drug inspectors passed on their

for the agency concerned. In that the situation

MR. BRYDEN: Well, they have no power.

They have nobody in Ottawa that they can go to who

they come from, they can't force them to do it.

MR. BRYDEN: Don't you think that's a

fact? No, it isn't within the



1 Drug Directorate itself tests batches that are sent to  
2 F.D.A. and so on and passed on them and rejects them if  
3 they are not up to scratch according to their standards.

4 MR. LESLIE: That is right. You see, Mr.  
5 Bryden, I would like to say this, that we are not spending  
6 money on quality control for fun, not for one minute. We  
7 are spending money on quality control so we can sleep at  
8 night. This is just the same as going back into a drug-  
9 store where we make doubly sure, and let us not sell the  
10 druggist short. They make doubly sure that they know what  
11 they are doing and all about the dosage before they let  
12 that prescription out of their hands. In many instances -  
13 I can well remember being in dispensing in the retail  
14 trade here in Toronto and if you get a prescription and  
15 you take all the things you are going to use for that  
16 prescription and put them on the dispensing counter. After  
17 you have hauled out all the things, all the ingredients,  
18 you double-check them and leave them there for somebody  
19 else to check the stuff that you have put in to eliminate  
20 every possible chance of human error.

21 MR. BRYDEN: There is no doubt in my mind  
22 as to the kind of quality control that your company under-  
23 takes, I am quite satisfied that it is of the very best.

24 MR. LESLIE: It is necessary.

25 MR. BRYDEN: And it is very likely necessary.  
26 My one interest is to see that we get adequate quality  
27 control in the manufacture of all drugs in Canada, I  
28 think that is a rather important thing. Why would it not  
29 be sufficient or perhaps even preferable for you to  
30 market meprobamate produced by Ayerst, McKenna? Why do







1 you consider it desirable to have this name Milltown which  
2 relates neither to the name of the drug nor to the name  
3 of your company?

4 MR. LESLIE: No, but it is known in Canada  
5 Milltown is meproamate Ayerst.

6 MR. BRYDEN: It has gotten to be known  
7 because of a large promotional campaign?

8 MR. LESLIE: Yes but the Milltown name was  
9 promoted before we got hold of it as far as medical  
10 journals and so on. That is why we went into it.

11 MR. BRYDEN: Well, in other products do you  
12 use similar trade names that are apparently unrelated  
13 either to the name of the drug or to the name of your  
14 company?

15 MR. LESLIE: In many instances. As a  
16 matter of fact, there was quite a large amount of thinking  
17 given to these trade names years ago that the trade names  
18 should not indicate what it is to be used for.

19 MR. BRYDEN: Why not?

20 MR. LESLIE: Well, because it would be an  
21 indication to the public, if it got to the public them-  
22 selves, what it was to be used for. In other words, adver-  
23 tising in a trade name that did not get very far but it  
24 was in the thinking of some of the authorities that that  
25 should not be done. A trade name is just a simple way of  
26 putting what we prefer to call the proper name - generic  
27 is just a tag that has been put on the proper name - to  
28 put the trade name covers the generic name if there is a  
29 generic name and the company name.

30 MR. BRYDEN: It does not relate to either,



1 You consider it desirable to have this name Milltown which  
2 related neither to the name of the drink nor to the name  
3 of your company?  
4 MR. LESTER: No, but it is known in Canada  
5 Milltown is incorporated there.  
6 MR. LESTER: It has nothing to do with  
7 business or a large promotional campaign?  
8 MR. LESTER: Yes but the Milltown name was  
9 proposed before we got hold of it as far as medical  
10 concerns and so on. That is why we went into it.  
11 MR. LESTER: Well, is there anything in you  
12 use similar trade names that are apparently unrelated  
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15 MR. LESTER: In many instances. As a  
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19 MR. LESTER: Why not?  
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24 was in the history of some of the authorities that that  
25 should not be done. A trade name is just a single way of  
26 putting what we prefer to call the proper name - generic  
27 is just a tag that has been put on the proper name - to  
28 but the trade name covers the generic name if there is a  
29 generic name and the company name.  
30 MR. LESTER: It does not relate to either,



1 that is the point I am getting at. It seems to me, I have  
2 heard it suggested here, that this is of assistance to  
3 doctors but it seems to me it is likely to be confusing  
4 to them if anything when you have the same product or  
5 essentially the same product with a series of trade names,  
6 none of which suggest the proper name of the product.

7 MR. LESLIE: It is confusing, true, but I  
8 will tell you something else which I am against; duplica-  
9 tion.

10 MR. BRYDEN: Duplication of products?

11 MR. LESLIE: Of the same product.

12 MR. BRYDEN: Well, as I understand it that  
13 is quite a problem in the industry and perhaps may be a  
14 factor in increasing costs.

15 MR. LESLIE: Sure. Another thing should not  
16 be forgotten and that is there are only a certain percen-  
17 tage of products that can be properly qualified under a  
18 proper name; if you have more than one ingredient you  
19 cannot have a proper name for it. A proper name or generic  
20 name is only used for the single ingredient product, any  
21 combinations you have to put in the generic names in the  
22 formula and you would have a long label as far as the  
23 brand is concerned.

24 MR. BRYDEN: Mr. Rice raised a question with  
25 you about the rapid expansion of this industry since World  
26 War II. I read an article in Fortune some time ago, the  
27 effect of which was that the expansion has proceeded in  
28 surges, shall I say, that every few years there has been  
29 in the past few years major breakthrough, when the major  
30 breakthrough occurs there is a big increase in profits





1 that at the point I am getting at. It seems to me, I have  
2 heard it suggested here, that this is of assistance to  
3 someone but it seems to me it is likely to be confusing  
4 to them if anything when you have the same product or  
5 essentially the same product with a series of trade names,  
6 none of which suggest the proper name of the product.  
7 Mr. Ladd: It is confusing, same, but I  
8 will tell you something else which I am against, duplicat-  
9 ing.  
10 Mr. Ladd: Application of products?  
11 Mr. Ladd: Of the same product.  
12 Mr. Ladd: Well, as I understand it, this  
13 is quite a problem in the industry and perhaps only in a  
14 fashion in increasing cases.  
15 Mr. Ladd: Some, another thing should not  
16 be forgotten and that is that not only a certain person-  
17 age of products that can be properly identified under a  
18 proper name; if you have more than one ingredient you  
19 cannot have a proper name for it. A proper name or general  
20 name is only used for the single ingredient product, and  
21 combinations you have to put in the general names in the  
22 formula and you would have a long label as well as the  
23 brand in connection.  
24 Mr. Ladd: No, I am raising a question with  
25 you about the word explanation of this industry since World  
26 War II. I read an article in Fortune some time ago, the  
27 effect of which was that the explanation has increased in  
28 number, shall I say, that every few years there has been  
29 in the past few years major breakthroughs, when the major  
30 breakthrough occurs there is a big increase in products



1 particularly for the companies that get in on it. Then  
2 the market sort of shakes down as more and more try it and  
3 find ways of moving in on the bonanza and the profits  
4 decline as promotional costs go up. Does that conform to  
5 your experience at all? It has been some years since there  
6 has been what you might call a major breakthrough in this  
7 industry and as I understand it profits have been going  
8 down in the United States.

9 MR. LESLIE: Possibly the easiest way to  
10 explain that is this: if you have a product and somebody  
11 has a patent on it, they have developed it and you have  
12 three or four more who get in on the bandwagon as soon as  
13 this man has started. In other words, he has estimated  
14 what the market is going to be from every kind of yardstick  
15 you can use and he determines that the market is going -  
16 he should be able to get this much out of it because of  
17 the condition it is going to be used in, whether or not  
18 there is competitive product and how much better this one  
19 is than others and so on. However, he has decided this  
20 and he starts in and his estimate is pretty good, he is  
21 going along, he is getting more and more business and he  
22 sets his whole operation on the basis that if he does get  
23 to the point he is going to make some money but somebody  
24 else sees that it is being well accepted and at no cost to  
25 him can come in and move in and cash in on this new pro-  
26 duct. Now, if you have three or four people getting into  
27 it and spreading the market into four pieces, there is  
28 going to be more promotional expense, there is no possible  
29 chance of the original man being able to take all the  
30 business and get his production and he cannot reduce his



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your experience at all? It has been some years since there  
has been what you might call a major breakthrough in this  
industry and as I understand it profits have been going  
down in the United States.  
MR. LESLIE: Possibly the easiest way to  
explain that is that if you have a product and somebody  
has a patent on it, then have developed it and you have  
a lot of your money who get in on the landrush as soon as  
this man has started. In other words, he has indicated  
what the market is going to be from every kind of perspective.  
You can use and he determines that the market is going  
to be able to get this much out of it because of  
the condition it is going to be used in, whether or not  
there is competition, product and how much better this one  
is than others and so on. However, he has decided this  
and he starts in and his estimate is pretty good, he is  
going along, he is getting more and more business and he  
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to the point he is going to make some money but somebody  
else sees that it is being well accepted and it is easy to  
him and he in and move in and cash in on this new one -  
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it and spreading the market into four pieces, there is  
going to be more promotional expense, there is no possible  
chance of the original man being able to take all the  
business and get his production and he cannot reduce his





1 price till he is caught in the middle. He can only go so  
2 far and after he has widened his production he could lower  
3 his prices but today in many instances that has not been  
4 possible.

5 MR. BRYDEN: I understand, of course, that  
6 this process goes on throughout the industry that if some-  
7 body has something which is doing well, one of the advan-  
8 tageous developments is for another company to get a  
9 slight variation of a product and put it out probably as  
10 improved or represented as such under a different name.

11 MR. LESLIE: True some companies will put  
12 out a product which is just a little bit better than  
13 another one but have a wide difference in effectiveness so  
14 he is not going to spend the money to promote or put a  
15 product on the market.

16 MR. BRYDEN: If you then persuade the doctors  
17 it is better that is worth the money.

18 MR. LESLIE: He has to have more than that.  
19 You cannot tell a doctor today something that you cannot  
20 substantiate and get away with it.

21 MR. BRYDEN: I understand that.

22 MR. LESLIE: Some have tried it but they  
23 will fall by the wayside.

24 MR. BRYDEN: I think it is not that easy to  
25 disprove the claim. A doctor does not have a wide enough  
26 range of cases, he is not in any case a clinical inspector  
27 to really assess on the basis of his own experience.

28 MR. LESLIE: But other clinical work being  
29 done in other places, the result will show up and come to  
30 his attention. This sort of thing gets around.



1 public will be in coming in the middle. He can only go to  
2 far and after he has withdrawn his protection he could lower  
3 his prices and today in many instances that has not been  
4 possible.  
5  
6 MR. BROWN: I understand, of course, that  
7 this process goes on throughout the industry that it does  
8 body has something which is doing well. One of the ideas  
9 to have development is for another company to get a  
10 slight variation of a product and put it out under a  
11 improved or rebranded name under a different name.  
12 MR. BROWN: That is some competition with it, but  
13 not a product which is just a little bit better than  
14 another one but have a wide difference in effectiveness so  
15 he is not going to spend the money to promote or put a  
16 product on the market.  
17 MR. BROWN: If you then perceive the reason  
18 it is better than is worth the money.  
19 MR. BROWN: He has to have more than that  
20 for cannot sell a product today something that you cannot  
21 substitute and sell with it.  
22 MR. BROWN: I understand that.  
23 MR. BROWN: Some have tried to cut away  
24 with this by the way.  
25 MR. BROWN: I think it is not that easy to  
26 improve the class. A doctor does not have a wide enough  
27 range of cases, he is not in any case a clinical inspection  
28 to really assess on the basis of his own experience.  
29 MR. BROWN: But other clinical work being  
30 done in other cases, the result will show up and come to



1 MR. BRYDEN: I read statements by people  
2 whose qualifications seem pretty good to the effect that  
3 when the clinical investigations are held it is frequently  
4 determined that the discovery of the original product was  
5 not probably as good as the others that were put on the  
6 market and represented as better. However, that takes a  
7 couple of years to discover?

8 MR. LESLIE: It sometimes takes a couple of  
9 years for medical investigation and ---

10 MR. BRYDEN: In the meantime, they may have  
11 made a very good harvest.

12 MR. LESLIE: No, if we want to go on the  
13 market with a product we are sure with clinical investiga-  
14 tion that it is going to do a job.

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1 MR. BRYDEN: Do you mean to say that all of  
2 the people in the ethical field have thorough chemical  
3 investigation before they put products on the market.

4 MR. LESLIE: Every firm that has the facili-  
5 ties to do proper chemical investigation in the field.  
6 I am speaking of larger firms and smaller ones too who  
7 may get information from somebody else. They are going  
8 to be awfully sure the stuff is right before it is on the  
9 market. If it has been a product that has been proven  
10 by somebody else and they go on the market with it that is  
11 a different matter.

12 MR. BRYDEN: That would mean that they would  
13 probably.....

14 MR. LESLIE: I am speaking of new develop-  
15 ments which will only come from research groups.

16 MR. BRYDEN: A genuinely new product, but  
17 we get the question of the <sup>variant</sup> ~~variance~~ and <sup>competitors</sup> ~~conferents~~, I  
18 think they call it in the industry, they may have some  
19 modifications from the original new product. Are they  
20 thoroughly tested?

21 MR. LESLIE: They are thoroughly tested.  
22 Again I say if the people that are putting out that modificati  
23 if they are not thoroughly satisfied with it they are  
24 not going to take the chance.

25 MR. BRYDEN: It would take them two years  
26 possibly to find out for sure, they might as well not put  
27 it out if it is going to take two years to get on the  
28 market established by the new product?

29 MR. LESLIE: It wouldn't take that long to  
30 definitely find out the difficulties. If there is a







1 certain side effect which has been shown in the original  
2 clinical work on item number 1, when item 2 comes along it  
3 is very easy to go back and find out that information as  
4 to the side effects, if it has been eliminated in this new  
5 derivative.

6 MR. BRYDEN: Here is an extract from an  
7 article by Dr. Charles D. May in the journal of medical  
8 education, January 1961. The publication I have in my  
9 hand is called Consumers Report. This particular article  
10 is quoted here "For the past three years major pharmaceu-  
11 tical companies have been engaged in a competitive struggle  
12 to increase the sales of their particular brands of  
13 antibiotics by a confused and misleading barrage of  
14 promotion. The educational effect on doctors was to con-  
15 fuse them and to lead them to believe wonderful new drugs  
16 were available and that minor differences in blood level  
17 and the rate of absorption are significant therapeutic  
18 advantages. The untrustworthiness of educational material  
19 employed to promote basic drug products is not peculiar  
20 to antibiotics. Similar disregard for the available  
21 evidence and for the authoritative opinions can be seen  
22 frequently -- " and so on. There are other quotations  
23 from other articles complaining about the number of varia-  
24 tions that are put out and by experience doesn't seem to  
25 have any marked superiority and the only effect is to  
26 create a situation of confusion of the multiplication of  
27 products that the doctor, the average practitioner cannot  
28 properly assess. Would you comment on that?

29 MR. BOYER:: What is the article you are  
30 reading?



1 certain side effect which has been shown in the original  
2 clinical work on these compounds, when taken 2 comes along in  
3 is very easy to go back and find out that information as  
4 to the side effects, if it has been eliminated in this  
5 derivative.

6 MR. TAYLOR: Here is an extract from an  
7 article by Dr. Charles D. in the Journal of Medical  
8 Education, January 1951. The publication I have in my  
9 hand is called "Comments Report". This particular article  
10 is quoted here "For the last three years major pharmaceuti-  
11 cal companies have been engaged in a competition to  
12 increase the sales of their particular brands of  
13 antibiotics by a confusion and misleading barrage of  
14 promotion. The educational effect on doctors was to con-  
15 fuse them and to lead them to believe wonderful new drugs  
16 were available and that minor differences in blood level  
17 and the rate of absorption are significant therapeutic  
18 differences. The educational effect on the public was to  
19 employ to promote basic drug products as not peculiar  
20 to antibiotics. Similar disregard for the available  
21 evidence and for the authoritative opinions can be seen  
22 frequently -- " and so on. There are other quotations  
23 from other articles complaining about the number of varia-  
24 tions that are put out and by experience doesn't seem to  
25 have any marked superiority and the only effect is to  
26 create a situation of confusion of the multiplication of  
27 products that the doctor, the average practitioner cannot  
28 properly assess. Would you comment on that?

29 MR. TAYLOR: What is the article you are



1 MR. BRYDEN: This particular one by Dr.  
2 Charles D. May. It is an article called "Selling Drugs  
3 By 'Educating' Physicians". It appeared in the Journal  
4 of Medical Education for January 1961. Dr. May is des-  
5 cribed as . . . eminent pediatrician, editor of Pediatrics,  
6 the official journal of the American Academy of Pediatrics  
7 and Professor of Pediatrics at The New York University  
8 Medical School.

9 MR. BOYER: It is an opinion, as a matter  
10 of fact, isn't it?

11 MR. BRYDEN: Rather authoritative.

12 MR. LESLIE: Mr. Bryden, I would say this,  
13 that the doctor if he is not sure what to use he can get  
14 the proper information by asking for it. If there is  
15 an odd case this is happening, it is not general. It is  
16 not from a confusion standpoint. It has been in an  
17 endeavour to give them something in their hands. They  
18 have been working at it. It is the different product  
19 being used given average levels that they need. It is  
20 an easy matter to make a broad statement like that, but  
21 if it is confined -- if he had named the companies and so  
22 on it might be more to the point. You may have one here  
23 and there, they are only human. They may have -- from  
24 their investigation and so on it is shown that there is  
25 a possibility it is going to be better. They haven't  
26 assured themselves fully. That kind of thing may crop  
27 up. Again I say the people that have reputations at stake  
28 building it over the years are not going to take any chance  
29 on coming along with some half-baked idea that is better  
30 than what another thing is or is a little better. They must







1 have a real reason to spend the promotional effort.

2 MR. BRYDEN: The reason to spend the promo-  
3 tional effort normally in business is you expect to have  
4 a profit.

5 MR. LESLIE: Yes, but in this business you  
6 spend promotional effort to build business on a product  
7 you are satisfied is going to be useful to the medical  
8 profession. You are not going to take a chance spending  
9 money on that product unless you are pretty sure it is  
10 going to be good.

11 MR. BRYDEN: Didn't you indicate earlier in  
12 your evidence that you rather regretted the amount of  
13 duplication of products?

14 MR. LESLIE: Yes, I think it is a mistake.

15 MR. BRYDEN: What were you referring to when  
16 you made that statement?

17 MR. LESLIE: I am referring to the overall  
18 picture of people, for instance, let's get into the  
19 compulsory licence deal where they want the compulsory  
20 licence so they can move into the market and put so and  
21 so's product and so and so's product on the market. It  
22 is going to defeat its own purpose.

23 MR. BRYDEN: What is?

24 MR. LESLIE: Your duplication of one product  
25 and not concern with development. Some countries in Europe,  
26 one or two products of the same thing are allowed on the  
27 market, no more.

28 MR. BRYDEN: Then shouldn't prices be con-  
29 trolled if that is the case?

30 MR. LESLIE: I think prices, Mr. Bryden, will







1 take care of themselves.

2 MR. BRYDEN: Not if there is only one  
3 suppliers.

4 MR. LESLIE: Yes.

5 MR. BRYDEN: Why?

6 MR. LESLIE: Well, because, sure we need to  
7 make money to keep going but the prime concern is to  
8 produce a product that is going to be useful. We have to  
9 make some profit on the overall picture, but this idea  
10 because somebody may have a product and has it all to  
11 himself is going to bleed the public is not a true state-  
12 ment of fact.

13 MR. BOYER: That is a hard thing to convince  
14 Mr. Bryden.

15 MR. BRYDEN: I would just like to rely on  
16 the basic economic theory on which you gentlemen, I think,  
17 rely, the way prices come down is through competition.  
18 You are trying to tell us they will come down through the  
19 goodwill of the monopolists and the witness is indicating  
20 he would prefer a monopolistic situation in the industry.  
21 It is apparent....

22 MR. LESLIE: I didn't say, sir, about  
23 monopoly. One or two is all right, when you have five or  
24 six or seven I think it is a mistake and that is where the  
25 trouble is.

26 MR. BRYDEN: That is all.

27 THE ACTING CHAIRMAN: Any questions?

28 MR. BOYER: Mr. Chairman, I might ask about  
29 quality control in connection with evidence we have already  
30 had before the Committee. One of the smaller drug





1 manufacturers spoke about the possibility of having a  
2 Canadian company do the quality control for him and  
3 suggested in that way we might be able to reduce the cost  
4 of drugs that he sells. I think, Mr. Chairman, that this  
5 witness may give us some useful comments on such a situation.  
6 Is that a practical way of carrying on business?

7 MR. LESLIE: This is for his own quality  
8 control?

9 MR. BOYER: Yes.

10 MR. LESLIE: It is one way of doing some-  
11 thing, but it is not as good as quality control having  
12 the facilities in your operation to do what you consider  
2 13 a proper quality control job. Quality control is not  
14 only concerned with testing the products before they are  
15 released for sale. It is from the time you get the first  
16 piece of raw material to make sure it is exactly what it  
17 is and that it is tested to the proper specifications.  
18 The human element of mistake in labour and so on is always  
19 -- you have to be sure and guard against that kind of  
20 thing. That is why we, and I think I will be backed up  
21 by others in the industry, that the only way for proper  
22 quality control is to do it yourself. If you haven't got  
23 the facilities then certainly this other operation would  
24 be very useful, but it is not the most desirable way to  
25 have quality control.

26 MR. BOYER: Thank you very much.

27 THE ACTING CHAIRMAN: Any other questions,  
28 Mr. Rice?

29 MR. RICE: No sir.

30 THE ACTING CHAIRMAN: Thank you very much,







1 Mr. Leslie.

2 MR. LESLIE: If there is anything further  
3 we can be of assistance in we will be glad to. I would  
4 like to see your folks down at the plant so we can show  
5 you what is done.

6 MR. BRYDEN: We would love to come to  
7 Montreal.

8 MR. LAVERGNE: I think the Chairman should  
9 take it under advisement.

10 THE ACTING CHAIRMAN: We will give that over  
11 to the Chairman when he comes back.

12 The next is Mr. H.J. Brown, president and  
13 general manager of Burroughs Wellcome & Company (Canada)  
14 Limited of Montreal.

15 SUBMISSION OF  
16 BURROUGHS WELLCOME & COMPANY (CANADA)  
17 LIMITED OF MONTREAL

18 MR. RICE: You are Mr. Brown, president and  
19 general manager of Burroughs Wellcome Company?

20 MR. BROWN: Yes

21 MR. RICE: How long have you been president  
22 of the Burroughs Wellcome Company?

23 MR. BROWN: Approximately 15 years. I have  
24 been in Canada 15 years as general manager and since  
25 last Friday as president.

26 MR. RICE: How long have you been associated  
27 with the drug industry?

28 MR. BROWN: 30 years, approximately.

29 MR. RICE: I understand you have prepared  
30 a presentation.







1 MR. BROWN: I have a presentation here, yes,  
2 which describes our company and operation.

3 MR. RICE: Would you proceed.

4 MR. BROWN: Mr. Chairman and gentlemen,  
5 Burroughs Wellcome & Co. (Canada) Ltd. is a wholly owned  
6 subsidiary of The Wellcome Foundation Ltd. of London,  
7 England, successors in title to the firm of 'B.W. & Co.'  
8 established since 1883.

9 A branch of this company was established in  
10 Canada in 1906, and was incorporated as a private company  
11 by Dominion Charter in 1956, under the title BURROUGHS  
12 WELLCOME & CO. (CANADA) LTD. The registered office and  
13 the Company's manufacturing plant are in Montreal, Quebec.

14 The Wellcome Foundation Ltd. was created to  
15 provide a formal structure for the late Sir Henry  
16 Wellcome's properties throughout the world. These include  
17 not only pharmaceutical manufacturing plants, but also  
18 all the laboratories, museums and libraries, which Wellcome  
19 founded and supported during his lifetime.

20 The Wellcome Foundation Ltd., trading under  
21 the original name of Burroughs Wellcome & Co., has sub-  
22 sidiary companies, or branches, in 14 countries and dis-  
23 tributing centres in most parts of the world. The sole  
24 shareholders and owners of the company are "The Wellcome  
25 Trust". It is, therefore, to the Wellcome Trustees that  
26 all distributed profits are paid in the form of dividends.

27 The Wellcome Trust has for its main object  
28 the advancement, throughout the world, of research in  
29 human and veterinary and allied sciences, or the endowment  
30 of research museums or libraries.





1 The responsibilities of the Trustees in this  
2 regard are carefully defined in the Founder's Will under  
3 two headings:

4 1. "... the advancement of research work  
5 bearing upon medicine surgery chemistry  
6 physiology bacteriology therapeutics materia  
7 medica pharmacy and allied subjects and any  
8 subject or subjects which have or at any  
9 time may develop an importance for scientific  
10 research which may conduce to the improvement  
11 of the physical conditions of mankind and in  
12 particular for the discovery invention and  
13 improvement and medicinal agents and methods  
14 for the prevention and cure of disorders and  
15 the control or extermination of insect and  
16 other pests which afflict human beings and  
17 animal and plant life in tropical and  
18 other regions and elsewhere . . . ".

19 2. "... the establishment and endowment  
20 and future maintenance of any new Research  
21 Museum or Library and for the purchase and  
22 acquisition of books manuscripts documents  
23 pictures and other workds of art and other  
24 objects and things for such Research Museums  
25 or Libraries and for conducting researches  
26 and collecting information connected with the  
27 history of medicine surgery chemistry  
28 bacteriology pharmacy and allied sciences...".

29 In the past five years the Wellcome Trustees  
30 have made grants, including some long-term commitments, to







1 Canadian universities and other institutions in aid of  
2 research or for the establishment of research laboratories  
3 or the maintenance of senior research appointments,  
4 amounting to approximately \$490,000, which is an average  
5 of almost \$100,000, per year. This is exclusive of  
6 many awards, which the Trustees have made in the form of  
7 travel grants to enable Canadian doctors to take courses  
8 in other countries or attend scientific meetings.







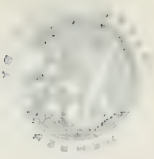
1                   The organization of the Canadian Company  
2 embraces manufacturing, control laboratory, distribution  
3 and administration. Whilst some product development work  
4 is done, the major aspect of Research and Development is  
5 carried out by our parent company and by our Associated  
6 Company in the U.S. Our Medical Director works in close  
7 collaboration with the Foundation's Research and Medical  
8 staffs in arranging for the clinical investigation in  
9 Canada of new or improved products.

10                   The principal research units of The Well-  
11 come Foundation are:

12                   (1) The Wellcome Research Laboratories,  
13 Beckenham, England.

14                   One section of these laboratories carries  
15 out research on the response of man and  
16 animals to infection, in conjunction with  
17 the production of antitoxins, vaccines, and  
18 prophylactic material for the treatment and  
19 prevention of bacterial and virus diseases.  
20 These Laboratories have been closely associ-  
21 ated with almost every advance in the preven-  
22 tion and cure of diphtheria, since they pre-  
23 pared the first 'B.W. & C.' biological pro-  
24 duct in 1904.

25                   Their discovery of the "primary" and secon-  
26 dary stimuli in diphtheria prophylaxis made  
27 in 1921, has come to form the basis of all  
28 accepted methods of immunization with toxins  
29 and their derivatives. In more recent times  
30 these Laboratories have been playing an



The organization of the Canadian company  
employees manufacturing, control laboratory, distribution  
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collaboration with the Foundation's Research and Medical  
staffs in arranging for the clinical investigation in  
Canada of new or improved products.  
The principal research units of the World  
some foundation are:  
(1) The Cellular Physiology Laboratory  
Beaumont, Texas  
One section of these laboratories handles  
our research on the response of the cell  
anemia to hypoxia, in conjunction with  
the production of erythropoietin, and  
physiologic material for the treatment and  
prevention of anemia and viral diseases.  
These laboratories have been closely asso-  
ciated with almost every advance in the treat-  
ment and cure of anemia, and they have  
earned the first \$100,000 biological prize  
just in 1964.  
Their discovery of the primary and sec-  
ondary anemia in diaphanous erythrocytes was  
in 1951, has come to form the basis of all  
accepted methods of immunization with toxins  
and their derivatives. In more recent years  
these laboratories have been playing an



1 important part in the production of Salk  
2 type polio vaccine, but held the view that  
3 the future was more likely to lie with the  
4 oral vaccine. Accordingly they devoted  
5 their facilities to the production of a safe  
6 and satisfactory oral vaccine using the  
7 strains selected by Dr. Sabin of the U.S.  
8 This resulted in the company being the first  
9 in the world to make oral vaccine against  
10 Poliomyelitis commercially available.

11 It is a good example of the long-term deci-  
12 sions the Industry is called upon to make as  
13 its contribution towards the prevention and  
14 conquest of disease. The cost of the project  
15 undertaken in money and technical resources  
16 is but one illustration of the kind of major  
17 risk that the Industry undertakes.

18 Another section of the Wellcome Research  
19 Laboratories is engaged in the synthesis of  
20 new chemical compounds and the investigation  
21 of the composition of known remedies for the  
22 treatment of disease.

23 A third section of these Laboratories is  
24 concerned with the testing on animals, and  
25 man of the action of the drugs prepared by  
26 the research chemists.

27 (2) The Wellcome Research Laboratories,  
28 Tuckahoe, New York.

29 Except for research in the field of biolo-  
30 gicals these Laboratories supplement the







1 research carried on in the Laboratories of  
2 the parent company, as well as following  
3 their own lines of investigation. They are  
4 engaged in the study of the action of  
5 possible therapeutic agents, either synthe-  
6 sized in their own Laboratories (and others  
7 of The Foundation) or derived from natural  
8 sources.

9 (3) The Wellcome Laboratories of Tropical  
10 Medicine, London, England.

11 This unit is engaged in the investigation of  
12 the diseases prevalent mostly in tropical  
13 and semi-tropical countries, such as, malaria,  
14 kala azar, schistosomiasis (bilharzia disease)  
15 and trypanosomiasis (e.g., tropical sleeping-  
16 sickness). A group of chemists prepare new  
17 compounds with a view to obtaining drugs  
18 which will destroy the microbes causing these  
19 particular diseases.

20 Although tropical diseases are rare in Canada,  
21 they do occur from time to time. From stock  
22 held in Montreal we are able to supply appro-  
23 priate medication without delay.

24 (4) The Wellcome Veterinary Research Station.  
25 England.

26 This is a 325-acre farm provided with Labora-  
27 tories. Its function is to carry out inves-  
28 tigations on diseases in large domestic  
29 animals.  
30







(5) The Wellcome Research Laboratory, East Africa.

This Laboratory, which has been recently established, is concerned mainly with the chemotherapy of diseases of animals in tropical and sub-tropical areas.

The services of these Laboratories are available to all subsidiary companies, who, for various reasons, are yet unable to embrace research as a function within their own local organization, but the discoveries of this research undertaking are made rapidly available to us in Canada as they are elsewhere throughout the world.

Cancer research has long been considered one of the most important challenges in medicine, and, as such, Burroughs Wellcome & Co. have given high priority to the scientific investigation of this problem in its research program. In excess of \$3,000,000, has been invested by the company in this particular phase of research.

The first purine antimetabolite discovered to be useful in the treatment of human leukemia was 6-mercaptopurine, which was synthesized in the Laboratories of our Associated Company in the U.S. in 1950, and was made available to physicians in Canada soon afterwards, under the brand name 'PURINETHOL'.

A number of closely related compounds are still in the process of clinical evaluation.

In co-operation with the Chester Beatty Research Institute of England compounds of the nitrogen mustard type have been studied. Two of these are now



(2) The following information is being provided:

Abstract

This laboratory, which has been recently established, is concerned mainly with the chemical study of diseases of animals in tropical and sub-tropical areas.

The services of these laboratories are

available to all subsidiary companies, for various

reasons, and are made to ensure that there is a connection

within their own local organization, but the discovery

of this research undertaking and work rapidly available

as in Canada as they are elsewhere throughout the world.

Canadian research has long been concerned

one of the most important subjects in medicine, and, as

such, thoroughness of the work is of great importance

the scientific investigation of this problem is the

research program. In excess of \$3,000,000 has been

invested by the company in this research phase of

research.

The new plant and facilities have been

to be useful in the treatment of human patients with a new

captopril, which was synthesized in the laboratory of

our Associated Company in the U.S.A. in 1960, and was made

available to physicians in Canada soon afterwards under

the brand name "LIPRIL".

A number of closely related compounds are

still in the process of chemical evaluation.

In co-operation with the Chester Beatty

Research Institute in Dublin, Ireland, the following

standard type have been studied. Two of these are



1 available in Canada - Chlorambucil ('Leukeran') and Busul-  
2 fan ('Myleran'), which were discovered as a result of a  
3 project growing out of work instituted in the Company's  
4 Laboratories.

5               These studies require the close co-operation  
6 of organic chemists, biologists, microbiologists and bio-  
7 chemists - all of whom are included in the Chemotherapy  
8 Division of the 'B.W. & Co.' Laboratories.

9               With few exceptions, all products offered  
10 for sale in Canada are made at our plant in Montreal. The  
11 average number of people employed is 140, including a  
12 field staff of 40. Approximately 30% of our staff have  
13 university degrees - 37 employees at the Bachelor level,  
14 and three Doctorates.

15              All raw materials, i.e., drugs and chemicals  
16 used in manufacturing are subjected to tests for identity,  
17 purity and potency and must be approved by the Control  
18 Laboratory before they are released to the Production  
19 Department. Every batch of manufactured products is sub-  
20 jected to analytical control and the final package bears  
21 a lot number from which can be determined the date of  
22 manufacture and the record of the tests carried out to  
23 establish the potency and safety for use.

24              All products for injection are prepared in  
25 a department specially equipped for their manufacture and  
26 each batch is tested for sterility as well as for potency  
27 and safety before issue.

28              Reference samples of every batch of products  
29 manufactured are retained for a number of years, depending  
30 on the product. The lot numbers provide a history of the





available in Canada - Chloramphenicol (Chloromycetin) and Brufen (Ibuprofen), which were discovered as a result of a project growing out of work instituted in the company's Laboratories.

of organic chemists, biologists, microbiologists and physicists - all of whom are included in the Chemistry Division of the B.W. Co. Laboratories.

With few exceptions, all products offered for sale in Canada are made at our plant in Montreal. The average number of people employed is 150, including a staff of 40. Approximately 30% of our staff have university degrees - 37 employees at the Bachelor level and three Doctors.

All raw materials, i.e., drugs and chemicals used in manufacturing are subjected to tests for identity, purity and potency and must be approved by the Government Laboratory before they are released to the Production Department. Every batch of manufactured products is subjected to analytical control and the final package is given a lot number from which can be determined the date of manufacture and the record of the tests carried out to establish the potency and safety for use.

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Reference samples of every batch of product are retained for a number of years, depending on the product. The lot numbers provide a history of the



1 product from raw materials to finished product and also  
2 enable any particular lot to be withdrawn should there be  
3 any reason to do so.

4 Our products are not sold direct to the  
5 public under any circumstances. We obtain national distri-  
6 bution mainly through the services of wholesalers, who, in  
7 turn, service the 5,000-odd pharmacies across Canada.  
8 Hospitals and Government purchasing agencies, however,  
9 usually buy direct from the manufacturer and we also sell  
10 direct to these institutions.

11 Approximately 35% of the products we produce  
12 can only be obtained on a doctor's prescription. Another  
13 20%, whilst their sale is not legally restricted to pres-  
14 cription, are usually sold in this way, or on the recommen-  
15 dation of a physician. The remainder are what are termed  
16 "over-the-counter" items and are promoted by being on  
17 display in pharmacies. These so-called O.T.C. items,  
18 however, account for less than 15% of our total sales. In  
19 other words, 85% of our sales are for what may be broadly  
20 classed as prescription items.

21 As previously stated we do not sell direct  
22 to the public, neither do we advertise our products in the  
23 lay press, by radio, television or similar media. The  
24 sale of some suitable products are, however, promoted by  
25 display in drugstores only.

26 Our main effort is to acquaint doctors with  
27 the action and uses of our products so that they will use  
28 them in their practices. We do this by direct representa-  
29 tion, i.e., by having the so-called "detail men" make  
30 periodic visits and spend a few minutes discussing one or



1 product from raw materials so finished product and also  
2 enable any particular lot to be withdrawn should there be  
3 any reason to do so.  
4 Our products are not sold direct to the  
5  
6 bution mainly through the services of wholesalers, who, in  
7 turn, serve the 2,000 odd pharmacies across Canada.  
8 Hospitals and Government purchasing agencies, however,  
9 usually buy direct from the manufacturer and do also sell  
10 direct to these institutions.  
11 Approximately 85% of the products as we have  
12 can only be obtained on a doctor's prescription. These  
13 20%, whilst their sale is not legally restricted to pres-  
14 cription, are usually sold in this way, or on the recom-  
15 mation of a physician. The remainder are what are termed  
16 'over-the-counter' items and are promoted by being in-  
17 dicated in pharmacies. These so-called O.T.C. items,  
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24 sale of some outside products are, however, promoted by  
25 display in drugstores only.  
26 Our main effort is to educate doctors with  
27 the action and uses of our products so that they will use  
28 them in their practices. We do this by direct representation  
29 from, i.e., by having the so-called 'detail men' make  
30 periodic visits and spend a few minutes discussing one or





1 more products with doctors. We also use the mail and  
2 medical journal advertising, and we display at medical  
3 meetings with our representatives in attendance.

4                   We have resident representatives in most  
5 Provinces. Of our total field staff, 14, plus a District  
6 Manager, are employed in the Province of Ontario. They  
7 have on the average 450 doctors per man on whom they call.  
8 The average number of physicians' calls they can make is  
9 5 or 6 per day. Each man's territory is such that he can  
10 cover it only 4 times a year. So theoretically he calls  
11 on each doctor on his list only 4 times a year. Some men  
12 are seen more frequently than this. Maximum would be 5 or  
13 6 times a year.

14                   Calling on doctors is not the only work of  
15 our Company's representatives, he must service the whole-  
16 salers on his territory and make regular calls on drug-  
17 stores of which he has an average of 145 on his list. He  
18 must also service the Pharmacy Departments of hospitals.  
19 In all these activities he is performing the function of a  
20 salesman and not that of a "detail man". A reasonable  
21 estimate is that our representatives spend half their time  
22 detailing and the other half selling and servicing the  
23 Company's customers.

24                   It was the policy of our Company to employ  
25 only graduate pharmacists for our field staff, but in  
26 recent years the demand for pharmacists has exceeded the  
27 supply, and we have been obliged to deviate from this  
28 policy. Of the 15 Company representatives working in  
29 Ontario, 10 are university graduates in Pharmacy or  
30 allied Sciences. The others have university training short



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 on each doctor on the list only 4 times a year. Some men  
 are seen more frequently than others. Some would be 10  
 6 times a year.  
 Calling on doctors is not the only sort of  
 our company's representatives. He must service the whole  
 sales on his territory and make certain calls on drug  
 stores of which he has an average of 100 on his list. He  
 must also service the pharmacy networks of hospitals.  
 In all these activities he is performing the function of a  
 salesman and not that of a detail man. A representative  
 estimate is that our representatives spend half their time  
 selling and the other half selling and recruiting the  
 company's customers.  
 It was the policy of our company to employ  
 only graduate pharmacists for our field staff, but in  
 recent years the demand for pharmacists has exceeded the  
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 Ontario, 10 are university graduates in pharmacy or  
 allied sciences. The others have university training in



1 of a degree.

2 All our representative staff undergo an  
3 initial training in our office and manufacturing plant  
4 followed by field training. The major part of this course  
5 deals with the pharmacology related to our products and  
6 their application to the treatment of disease or other  
7 disorders, including what is known about the contraindica-  
8 tions of the drug, and the precautions which should be  
9 taken in their use.

10 New drugs are submitted to exhaustive  
11 clinical investigation before being offered to the Medical  
12 Profession, and, of course, the manufacturers must satisfy  
13 the Federal Food and Drug Directorate that a new drug is  
14 safe to use. With extended use more information about a  
15 drug is accumulated. For instance, side effects which did  
16 not show up in the initial trials may become evident; also  
17 tolerance to the drug may develop on prolonged use. Our  
18 men are kept up-to-date on these things and are thus able  
19 to bring to the physician the latest information about the  
20 action and uses of the products in which, as a Company, we  
21 have an interest.

22 With regard to our marketing policy as it  
23 relates to the use of brand names, it is a requirement of  
24 the Federal Food and Drugs Act Regulations that the generic  
25 or common name of a drug be given on all labels of pharma-  
26 ceutical products. The generic name to be in type not less  
27 than half the size of the mark or brand name. Some of the  
28 products we issue bear only the generic name, but the majo-  
29 rity are sold by brand name.

30 An analysis of our List shows that it is not





All our representative staff undergo an initial training in our office and manufacturing plant followed by field training. The latter part of their course deals with the pharmacology related to our products and their application to the treatment of disease or other disorders, including what is known about the contraindications of the drug, and the precautions which should be taken in their use.

New drugs are submitted to exhaustive clinical investigation before being offered to the medical profession, and, of course, the manufacturers must satisfy the Federal Food and Drug Administration that a new drug is safe to use. With extended use more information about a drug is accumulated. For instance, side effects which did not show up in the initial trials may become evident; also tolerance to the drug may develop on prolonged use. Our men are kept up-to-date on these things and are thus able to bring to the physician the latest information about the action and use of the products in which, as a company, we have an interest.

With regard to our marketing policy as to related to the use of brand names, it is a requirement of the Federal Food and Drug Administration that the generic or common name of a drug be given on all labels of pharmaceutical products. The generic name to be in type not less than half the size of the mark or brand name. Some of the products we issue bear only the generic name, but the majority are sold by brand name.

An analysis of our list shows that it is not



1 practicable to use other than a coined or brand name for  
2 50% of the products issued. I am referring here to  
3 compound products consisting of two or more drugs. For  
4 instance, there is no common or generic name for an oint-  
5 ment containing Polymyxin B Sulphate, Neomycin, etc.  
6 Doctors cannot be expected to write out the formula each  
7 time they wish to prescribe such a compound preparation.  
8 We apply a trade mark, or brand name, to this particular  
9 formulation. It denotes a 'B.W. & Co.' product of this  
10 formula. There is no other convenient way of describing  
11 such preparations.

12                 With regard to a product consisting of a  
13 single chemical or drug, a brand name is used in associa-  
14 tion with the common or generic name of the drug to denote  
15 that it is a 'B.W. & Co.' formulation.

16                 Whether a doctor prescribes by generic name  
17 or by brand name he will want to be assured that the pro-  
18 duct his patient receives is the precise one which he  
19 intends him to have. This can only be assured if he speci-  
20 fies the name of the manufacturer on his prescription.  
21 The use of a brand name does just this.

22                 It is not just a matter of taking a drug or  
23 chemical and making it into a tablet or some other dosage  
24 form. Considerable experience and know-how is required to  
25 produce a preparation which will result in an entirely  
26 satisfactory product. Even a slight variation in formula-  
27 tion may effect the therapeutic efficacy of a product, or  
28 result in an unstable preparation, i.e., one which may  
29 lose its potency very quickly.

30                 The following is a quotation from an article



1. practicable to use other than a coined or brand name for

2. 50% of the products issued. I am referring here to

3. compound products consisting of two or more drugs. For

4. instance, there is no common or generic name for an anti-

5. ment containing Polymyxin B sulphate, Neomycin, etc.

6. Doctors cannot be expected to write out the formula each

7. time they wish to prescribe such a compound preparation.

8. We apply a trade name, or brand name, to this preparation

9. formulation. It denotes a "B.W. & Co." product of this

10. formula. There is no other name and way of designation

11. with preparations.

12. With regard to a product consisting of a

13. single chemical or drug, a brand name is used in a similar

14. fashion with the common or generic name of the drug. For instance

15. it is a "B.W. & Co." formulation.

16. Whether a doctor prescribes by generic name

17. or by brand name he will want to be assured that the pro-

18. duct his patient receives is the precise one which he

19. intends him to have. This can only be assured if he sees

20. first the name of the manufacturer on his prescription.

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25. produce a preparation which will result in an entirely

26. satisfactory product. Even a slight variation in formula-

27. tion may effect the therapeutic efficacy of a product, or

28. result in an unstable preparation, etc., and which may

29. have its potency very markedly





1 which appeared in the British Pharmaceutical Journal,  
2 June 3, 1961, by F.G. Stock of the Research Department,  
3 City of Birmingham, England, which illustrates my  
4 point:

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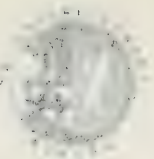
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which appeared in the British Museum Journal,  
June 1, 1901, at p. 100. Book of the Natural History  
City of Birmingham, England, which illustrates my

Journal

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1 "Further work has been done in this labora-  
2 tory on the analyses of preparations made from drugs of  
3 Continental origin. Eight samples of meprobamate tablets  
4 were found, respectively, to contain 91, 89, 96, 94, 90  
5 and 94 percent of the stated amount, thus only two of  
6 these were within the limits of 95-105 percent, prescribed  
7 by the United States Pharmacopoeia, whereas, a similar  
8 number of samples of two proprietary brands of meprobamate  
9 tablets were well within the allowed limits. A sample of  
10 chlorothiazide tablets failed to conform to the official  
11 to the official disintegration test. Finally,  
12 eight specimens of buffered prednisolone tablets, declared  
13 to contain 5 mgm. of active ingredient, all contained  
14 significantly nearer 4 mgm., i.e., 20 percent less than  
15 the declared amount; again analyses of two proprietary  
16 preparations of this substance showed contents very near  
17 to the declared amounts. It is my considered opinion that,  
18 as with the thiopentone injections previously reported,  
19 these are typical examples of unsatisfactory analytical  
20 control, and the fault primarily is in the manufacturing  
21 process rather than in the raw materials."

22 Some drugs have a comparatively short shelf  
23 life, and the labels of such products bear an expiry date.  
24 This period is determined in the first instance by testing  
25 the product for potency over an extended period of time.  
26 No product is released for sale until a reasonably  
27 satisfactory shelf life has been established. From there  
28 on reference samples are examined from time to time,  
29 and with the data so accumulated it is often possible to  
30 extend the "life" beyond that which was determined initially,  
or on the other hand it may be found desirable to reduce  
it.





"Further work has been done in this labora-

tory on the analyses of preparations made from drugs of Continental origin. Eight samples of meprobamate tablets were found, respectively, to contain 91, 89, 96, 94, 90 and 94 percent of the stated amount, thus only two of these were within the limits of 95-105 percent, prescribed by the United States Pharmacopoeia, whereas, a similar

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to contain 5 mgm. of active ingredient, all contained significantly nearer 4 mgm., i.e., 20 percent less than the declared amount; again analyses of two proprietary preparations of this substance showed contents very near to the declared amounts. It is my considered opinion that as with the thiopentone injections previously reported, these are typical examples of unsatisfactory analytical control, and the fault primarily is in the manufacturing process rather than in the raw materials."

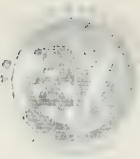
Some drugs have a comparatively short shelf life, and the labels of such products bear an expiry date. This period is determined in the first instance by testing the product for potency over an extended period of time. No product is released for sale until a reasonably satisfactory shelf life has been established. From there on reference samples are examined from time to time, and with the data so accumulated it is often possible to extend the "life" beyond that which was determined initially, or on the other hand it may be found desirable to reduce



1                   It is the policy of our Company, as it is,  
2 I believe, general in the Industry, to accept responsibility  
3 for date expired products and take them back for credit  
4 or replacement. This is in the best interest of the public,  
5 but, of course, it adds to the cost. The statement of  
6 our policy relating to Returned Goods appears in our  
7 Price List and a copy of this is appended to this sub-  
8 mission.

9                   It is our experience that goods returned for  
10 credit amount to approximately 2% of our Sales, but the  
11 cost to our Company is much more than the face value of the  
12 products. Every product issued has a pre-determined life  
13 expectancy, i.e., the period over which, if properly  
14 stored, the product can be expected to have retained full  
15 potency, and if the batch number indicates that this is  
16 exceeded or has only a short remaining life, the product  
17 is destroyed. Products which appear satisfactory for  
18 taking back into our stock for resale are examined  
19 individually by our Control Chemist. All products are  
20 sealed when issued and if the seal is broken these goods  
21 are not resold. All this is a time consuming procedure  
22 and the paper work involved is considerable.

23                   The policy of The Wellcome Foundation Ltd.,  
24 and its subsidiary companies throughout the world has been  
25 to take an active part and interest in the community in  
26 which they operate. The main object of the Wellcome group  
27 of companies has been the advancement of medical and  
28 allied sciences. It was with this general philosophy in  
29 mind that this brief was prepared to assist the Select  
30 Committee on Cost of Drugs. It is trusted that it has



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mind that this brief was prepared to assist the Select

Committee on the Law of Patents in its work.





1 been useful in providing a picture of the function and  
2 operations of this Company.

3 Respectfully submitted."

4 THE ACTING CHAIRMAN: Thank you very much,  
5 Mr. Brown. You have been very informative indeed.

6 MR. RICE: There is an appendix to Mr.  
7 Brown's brief. Could we have that included in the record?

8 THE ACTING CHAIRMAN: Yes.

9 RETURNED MERCHANDISE APPENDIX

10 It is our desire to maintain a just and  
11 fair policy regarding merchandise, which for some reason  
12 customers wish to return for exchange.

13 1. GOODS EXCHANGEABLE

14 Subject to the following conditions, our products may  
15 be returned -

16 a. An itemized list of the merchandise to be  
17 returned must first be submitted to our Montreal  
18 Office (either direct or through our representa-  
19 tive).

20 Products will be accepted for credit or exchange  
21 only when the customer has obtained our authoriza-  
22 tion and shipping instructions.

23 b. On receipt of approval, merchandise is to be  
24 shipped prepaid to Burroughs Wellcome & Co.  
25 (Canada) Ltd., Returned Goods Department, LaSalle,  
26 Que., otherwise transportation costs will be  
27 charged back.

28 c. Goods accepted for credit or exchange may be  
29 subject to a charge for re-conditioning.  
30



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Products will be accepted for credit or exchange  
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tion and shipping instructions.

b. On receipt of approval, merchandise is to be  
shipped prepaid to Burroughs Wellcome & Co.

(When not, the customer must obtain our authoriza-  
tion.)  
Que., otherwise transportation costs will be

c. Goods accepted for credit or exchange may be  
subject to a charge for re-conditioning.



2. GOODS NOT EXCHANGEABLE

- a. Merchandise which has been opened, broken, partially used, or which has been tampered with by removal of corks, caps or labels.
- b. Except on a salvage value basis, merchandise which has been purchased at sacrifice, fire or bankrupt sales, or which has been damaged by fire, water or smoke. When such merchandise is sent in, we must have the privilege of destroying without recourse, if considered by us unfit for sales.
- c. Articles which have been in the customer's stock for more than two years.
- d. Merchandise which has deteriorated due to causes for which we cannot be considered responsible.
- e. Dated products remaining in stock after expiry date.

MR. RICE: Mr. Brown, I note the date of your charter is 1956. I would assume from that, that your industry, your company also has had its greatest development since World War II.

MR. BROWN: No, I would not agree with you, not in our particular instance. Our company has been mainly concerned with work in connection with viruses and vaccines, that is seriological products which have not had the same burst, as you refer to it, as the modern therapy products, the tranquilizers and the antibiotics.

We did have some research going in antibiotics during the war. We actually had a penicillin plant in England, but it was soon outmoded by the American production facilities which were not available to us in England at that





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during the war. We actually had a penicillin plant in England, but it was soon outmoded by the American production facilities which were not available to us in England at that



1 time.

2 But out of that came just one antibiotic,  
3 Polymyxin B Sulphate which is still used today and it is  
4 substantially used, but we have not been too active in the  
5 chemo therapy side of research.

6 Also our interest has been, as I have stated,  
7 in tropical diseases also, for which there is a very little  
8 or no market here in Canada. However, the products are  
9 available.

10 MR. RICE: Have you noticed any marked  
11 changes in your prices in recent years?

12 MR. BROWN: Yes, our prices have steadily  
13 increased because our costs have increased.

14 MR. RICE: Your prices have increased?

15 MR. BROWN: Our prices have increased. There  
16 have been two increases, I think, due to sales tax alone.  
17 When the sales tax was changed from 8% to 11%, that  
18 required an alteration adjustment, an upward adjustment  
19 in our sales prices. Also we have had to keep pace with  
20 the increased costs of being in business such as the high  
21 salaries and wages, so the tendency has undoubtedly been  
22 upwards as far as I can remember.

23 That doesn't mean to say that there have  
24 not been reductions, specifically, here and there, in  
25 particular products, either because the cost of raw materials  
26 has declined and you have been able to reduce your price,  
27 or you have a product in a particularly heavy competitive  
28 area and you have to be satisfied with taking less than  
29 your normal profit in order to get into that equal share  
30 of the market. There are instances of that kind, but not



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your normal profit in order to get into that equal share

of the market. There are instances of that kind, but not





1 many.

2 MR. RICE: In the products that your company  
3 are concerned with, would it be fair to say that these  
4 price changes have been gradual rather than substantial?

5 MR. BROWN: Yes, they have been very gradual  
6 and relatively few. I think over the past even ten or  
7 fifteen years there is a continual change in products.  
8 New products are coming along and they are entering in the  
9 market at a higher price than they would have done, the  
10 same products, a few years ago. So we are not really  
11 comparing the same products in our industry over a period  
12 of 25 years because in most instances they did not exist  
13 at that time.

14 MR. RICE: Do you find that the entry of  
15 new industries into the business does have that effect on  
16 your prices?

17 MR. BROWN: Do you mean new industries or  
18 new competition?

19 MR. RICE: Yes, new competition.

20 MR. BROWN: Yes, we certainly do.

21 MR. RICE: And is your company a member of  
22 the Canadian Pharmaceutical Manufacturers Association?

23 MR. BROWN: Yes.

24 MR. RICE: Did you contribute to the  
25 questionnaire as compiled by Mr. Little?

26 MR. BROWN: Yes we did.

27 MR. RICE: And have you had an opportunity  
28 to use Mr. Little's compilations?

29 MR. BROWN: I have.

30 MR. RICE: And could you tell us generally

1. Henry.

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1 how that compilation compares with your figures?

2 MR. BROWN: Yes, we fall fairly well within  
3 the average. There are no great deviations.

4 MR. RICE: I believe I have covered all the  
5 subjects, as far as I can see, Mr. Chairman, unless some  
6 of the members of the Committee have questions.

7 THE ACTING CHAIRMAN: Have any members of  
8 the Committee any questions to ask Mr. Brown? Mr. Lavergne?

9 MR. LAVERGNE: No questions.

10 THE ACTING CHAIRMAN: Mr. Bryden?

11 MR. BRYDEN: Just one matter I would like  
12 to raise, Mr. Chairman. Various authorities or people  
13 who appear to be authorities that I have read in this field  
14 have expressed some dissatisfaction because they claim  
15 that promotional material from drug companies which gets  
16 into the hands of doctors frequently does not indicate the  
17 toxicity of the drug concerned or untoward reactions that  
18 might be anticipated, that the emphasis always is on the  
19 favourable elements that might be anticipated and frequently  
20 no reference at all is made to the untoward effect. Is  
21 that in accord with your views?

22 MR. BROWN: I would say that is not a correct  
23 statement in regard to all reputable companies. All  
24 reputable companies would want to give the doctor all the  
25 facts including the less favourable ones.

26 MR. BRYDEN: Not the advertisements I have  
27 looked at in journals.

28 MR. BROWN: Advertisements do not always  
29 reflect the true story. Advertisement in journals will  
30 be a reminder, and the doctors should rely on, and does in



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1 fact rely on the initial information he gets from the  
2 manufacturer for the full story. You could not give all  
3 the facts in the journal advertisement. That is intended  
4 to be a reminder to the doctor. The doctor knows that  
5 that product is available from your company and in most  
6 instances it says, "For further details apply to the  
7 company".

8 MR. BRYDEN: I didn't hear that.

9 MR. BROWN: I said in most instances you  
10 will find that on top of that advertisement, that further  
11 information on this particular product is available from  
12 the company.

13 MR. BRYDEN: I must say that I have not  
14 noticed that suggestion in any of the advertisements I  
15 have seen.

16 MR. BROWN: I do not think you will have  
17 much trouble in finding them if you look through the  
18 medical journals.

19 MR. BRYDEN: Here is a journal that I have  
20 for a completely unrelated purpose, but I was thumbing  
21 through it and I noticed an ad from your company. This  
22 journal is "M.D. of Canada" for January 1960. There is  
23 an advertisement from your company for a product called  
24 Darenthin and it says it is "A major break-through in the  
25 treatment of hypertension. Its action is that of specific  
26 sympathetic inhibition. The resulting freedom from the  
27 effects of parasympathetic block is a conspicuous advance  
28 on former methods of treatment".

29 Insofar as I understand that <sup>statement</sup>~~treatment~~, that  
30 is expressing a favourable opinion.



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1 MR. BROWN: That is a break-through, yes.

2 MR. BRYDEN: There are some names cited at  
3 the bottom which I presume are authorities could be  
4 referred to if the doctor had the time, and there is no  
5 reference to any possible untoward effect or even a  
6 suggestion that these might exist and that the physician  
7 should get information on it.

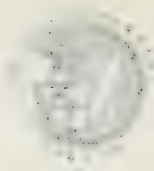
8 MR. BROWN: A product of that type, no  
9 physician would use until he had full details about its  
10 use, and in our literature, is contained all the full  
11 effects of the product, all the known side effects. The  
12 side effects of the drug are not always detrimental. They  
13 are inherent in the drug. This is a product which lowers  
14 blood pressure, and after all doctors should know if you  
15 lower the blood pressure too rapidly it has detrimental  
16 effects on the patient, and the drug itself has no really  
17 inherent side effects except those which are attributable  
18 to the drug itself.

19 MR. BRYDEN: I understand that all drugs  
20 have some toxicity?

21 MR. BROWN: Yes, well, it is natural, because  
22 they are foreign to the human body, you see.

23 MR. BRYDEN: Well, here in the Green Book,  
24 prepared for the Restrictive Trade Practices Commission  
25 which I have no doubt you have studied, in the appendix  
26 is an article published by the Canadian Medical Association  
27 Journal by Doctors Mark Nickerson and John P. Gemmell of  
28 the University of Manitoba. They express the opinion on  
29 page 287 of that book:

30 "A major consideration in the adoption of



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"A major consideration in the adoption of



1 any new product is toxicity. It is  
2 axiomatic that every drug has some toxicity  
3 and the common promotional statement that  
4 a given product has 'low toxicity' or has  
5 not produced this or that specific type of  
6 toxic reaction is of limited significance.  
7 It is much more important to know the types  
8 of toxicity which may occur. Advertisements  
9 rarely carry this information. Detailmen  
10 may be asked for and sometimes are helpful  
11 in obtaining the desired data. However,  
12 the very useful information frequently is  
13 not included in the routine promotional  
14 material which they receive, and it may take  
15 them some time to obtain it."

16 I take it that you would not particularly  
17 agree with that statement?

18 MR. BROWN: No, the information is available,  
19 and in most cases when they are putting a new product out,  
20 it has side effects and they are stated in the literature,  
21 but it is not always possible to give them in the advertise-  
22 ment. The advertisement is a reminder of the name and  
23 the indication of the product and is not intended to be a  
24 full description, and we don't expect doctors to use the  
25 product merely from seeing an advertisement in a medical  
26 journal. We think it is their responsibility to find out  
27 all there is to know about the product even before they  
28 use it.





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all there is to know about the product even before they



1 MR. LAVERGNE: This is just a reminder?

2 MR. BROWN: A reminder type of advertising  
3 following up your initial work which you have done. When  
4 a new product is coming out they were provided with a full  
5 pharmacology and then the detailmen are properly briefed  
6 and they are able to instruct the doctor. The doctor may  
7 or possibly would be sent through the mail full information  
8 about the product, the advertisement and the small cards  
9 that go out through the mail are merely reminder advertise-  
10 ments.

11 MR. LAVERGNE: Do they have all this infor-  
12 mation prior to ---?

13 MR. BROWN: We would hope they would have  
14 that, yes.

15 MR. BRYDEN: Of course, he is a pretty busy  
16 man and he may or may not have time to cover this.

17 MR. BROWN: I think as far as the physician  
18 is concerned, he should take the time to become familiar  
19 with a product before he uses it.

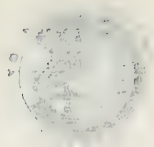
20 MR. BRYDEN: Would it not be a good idea to  
21 remind him of it?

22 MR. BROWN: It is possible that he is a busy  
23 man and he will have even less time to study these adver-  
24 tisements.

25 MR. BRYDEN: This is designed to bring to  
26 his attention all the other material that is there?

27 MR. BROWN: This is drawing his attention to  
28 it and hoping he will stop and look and say "I have seen  
29 that and I hope to find out more about it later on".

30 MR. BRYDEN: You say if something is



MR. LAYTON: This is just a momentary

MR. BROWN: A number of people of advertising

Following on your initial work which you have done, when

a new product is coming out they were provided with a full

pharmacology and then the details are properly filled

and they are able to answer the doctor. This is done very

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this and I hope to find out more about it later on."

MR. BROWN: You say it something is





1 genuinely new on the market you try to inform the medical  
2 profession about all its effects, good and bad. What  
3 about a situation where in the course of experience with  
4 the drug undesirable effects that were previously unsuspec-  
5 ted come to light, what do you do then?

6 MR. BROWN: I can tell you that we have on  
7 many occasions done that.

8 MR. BRYDEN: You have sent out a new ---

9 MR. BROWN: We have sent out specific infor-  
10 mation if it has been important enough. The particular  
11 product you are referring to there has not stood up to the  
12 initial hopes that we had for it. It is still considered  
13 a breakthrough scientifically yet the particular drug has  
14 a lot of improvements to be made before it lives up to its  
15 original expectations. As soon as we found out that this  
16 particular drug had shown tolerance, that is, after a  
17 patient had taken it for many, many months or perhaps a  
18 year, they got used to the drug, tolerance developed,  
19 we immediately notified every doctor in Canada that this  
20 was the situation.

21 MR. BRYDEN: But for some substantial time  
22 it was advertised?

23 MR. BROWN: Well, it has to be handled -  
24 that situation becomes known.

25 MR. BRYDEN: Are you still promoting this  
26 drug?

27 MR. BROWN: We still have it available but  
28 we are not actively promoting it. We are hoping our labo-  
29 ratories will come up with a much improved drug.

30 MR. BRYDEN: In other words, it was by





1 experience it turned out to be not as significant a break-  
2 through medically as you had originally believed?

3 MR. BROWN: It is considered medically and  
4 fundamentally, as a piece of research it is very signifi-  
5 cant. This shows for the first time that high blood  
6 pressure can be controlled by what is termed parasympathetic  
7 blockage of the nervous system and from that point of view  
8 it is a significant breakthrough. But, unfortunately, the  
9 drug itself is not ideal, it is not the last word and we  
10 are still searching for something which will live up to  
11 our original expectations for it.

12 MR. BRYDEN: That is all, thank you Mr.  
13 Chairman.

14 MR. RICE: Mr. Chairman, there is one more  
15 item I omitted which may be of some interest. Mr. Brown,  
16 in your brief on page 12 you deal there with the require-  
17 ments of the Federal Food and Drug Directorate with regard  
18 to labelling.

19 MR. BROWN: Yes.

20 MR. RICE: Is there a practice that pharma-  
21 cists remove the manufacturers' labels?

22 MR. BROWN: For dispensing?

23 MR. RICE: Yes.

24 MR. BROWN: It is usual for them to do so,  
25 yes.

26 MR. RICE: So the labelling requirements  
27 there as far as the pharmacist is concerned would only per-  
28 tain to the pharmacists themselves?

29 MR. BROWN: Yes.

30 MR. RICE: Have you any opinion as to





1 experience is turned out to be not an insignificant  
 2 through actually as you had originally believed?  
 3 MR. BROWN: It is considered radically and  
 4 fundamentally as a state of reason it is very signifi-  
 5 cant. This shows for the first time that this  
 6 pressure can be controlled by what is termed "anastomosis"  
 7 between the two nervous system and that is what  
 8 it is a significant discovery. But, naturally, the  
 9 drug itself is not used, it is not the fact with any  
 10 are still speaking for something which will last up to  
 11 can explain and explain for it.  
 12 MR. BROWN: Now as this is the case  
 13  
 14 MR. LEE: Now, Mr. Brown, when is the time  
 15 from I might say, as far as the nervous system, it is  
 16 in your mind to say, if you don't have a certain  
 17 state of the nervous system and long distances with regard  
 18  
 19 MR. LEE: Is there a possibility that in two  
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1 whether the pharmacists should remove these labels before  
2 dispensing?

3 MR. BROWN: Yes, I think he should. I think  
4 it depends upon the doctor's requirements but usually the  
5 doctor does not necessarily want the patient to know what  
6 treatment he is receiving and it has been customary as  
7 long as I have been a pharmacist to remove the original  
8 label and put on a label which gives directions as the  
9 doctor has indicated.

10 MR. RICE: The label that the pharmacist  
11 puts on to replace your label does not necessarily show  
12 the manufacturer or the generic name or trade name?

13 MR. BROWN: No, once that label is removed  
14 it then becomes a product specifically for the patient for  
15 whom it was prescribed. We may in our recommendation say  
16 the drug should be taken once or twice a day and the  
17 doctor may feel otherwise and want to give it six times a  
18 day. This is the doctor's responsibility.

19 MR. RICE: The reason I raised the question  
20 was that I was speaking to one manufacturer and he took  
21 exception to this and thought it was a bad thing that the  
22 pharmacists remove these labels.

23 MR. BROWN: All I can say is it has been  
24 customary in pharmacy for many, many years that it is  
25 really the doctor who has the say in how he wants a patient  
26 to receive his prescription. If he wants it with the  
27 original label he could say to dispense it with the manu-  
28 facturer's original label. I do not know if that is ever  
29 done but it is a possibility.

30 MR. RICE: Thank you.







1 THE ACTING CHAIRMAN: Thank you, Mr. Brown.

2 We will adjourn now till 1.30 this afternoon.

3

4 --- Luncheon adjournment.

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THE ACTING CHAIRMAN: Thank you, Mr. Brown.

We will adjourn now till 1.30 PM. Tomorrow.

--- Laminated adjournment.



1 --- On resuming at 1.30 p.m.

2 THE ACTING CHAIRMAN: Gentlemen, we will call the  
3 meeting to order. We will call on Mr. Eliot S. Frosst,  
4 Chairman of the Board of Charles E. Frosst and Company of  
5 Montreal. Mr. Frosst?

6 MR. FROSST: Mr. Chairman, members of the  
7 Committee, my name is Eliot S. Frosst. I am Chairman of  
8 the Board of Charles E. Frosst & Co., a Canadian Corpora-  
9 tion, first incorporated by Letters Patent, November 20,  
10 1899. The Company was started by my father, the late Mr.  
11 Charles E. Frosst, and has been continuously managed by  
12 members of the family, ably assisted by other executives.  
13 Late in 1959 the Company became a Public Company through  
14 the sale of Class A shares and there now are approximately  
15 1,200 Class A shareholders. The B shares (the voting  
16 shares) are all held by the Frosst family.

17 The Company's Head Office, Laboratories and  
18 Research Department are located in Montreal. The Company  
19 also maintains two (2) warehouses, one in Toronto and one  
20 in Calgary, to be able to render prompt service to its  
21 customers. The Company moved to its present location in  
22 Montreal in 1926. The original building erected for the  
23 Company had a floor area of 51,600 sq. ft. and within three  
24 (3) years two (2) additions had been built and since that  
25 time there have been four (4) more additions, bringing the  
26 total floor area to 152,000 sq. ft., of which 26,000 sq.  
27 ft. is occupied by the Research and Control Departments.  
28 The original building is of fireproof construction and has  
29 been extensively remodeled from time to time so that today  
30 it embodies the improvements required to meet the highest



--- On resuming at 1.30 p.m.

THE ACTING CHAIRMAN: Gentlemen, we will call the

meeting to order. We will call on Mr. Elliot S. Frost,

Chairman of the Board of Charles E. Frost and Company of

the Board of Charles E. Frost & Co., a Canadian Corpora-

tion, first incorporated by Letters Patent, November 20,

1899. The Company was started by my father, the late Mr.

Charles E. Frost, and has been continuously managed by

members of the family, ably assisted by other executives.

Later in 1959 the Company became a Public Company through

the sale of Class A shares and there now are approximately

1,200 Class A shareholders. The B shares (the voting

shares) are all held by the Frost family.

The Company's Head Office, Laboratories and

Research Department are located in Montreal. The Company

also maintains two (2) warehouses, one in Toronto and one

in Calgary, to be able to render prompt service to its

customers. The Company moved to its present location in

Montreal in 1926. The original building erected for the

Company had a floor area of 51,000 sq. ft. and within three

(3) years two (2) additions had been built and since that

time there have been four (4) more additions, bringing the

total floor area to 1,100,000 sq. ft. and within three

years the original building is of frequent construction and has

been extensively remodeled from time to time so that today

it embodies the latest improvements required in a modern



1 modern standards of safety, health and working conditions.

2           The Company manufactures a wide range of  
3 pharmaceutical specialties - approximately 250, 175 of  
4 which are Trade Name items. It also sells a limited  
5 amount of Fine Chemicals. The Company's products are  
6 divided into seven (7) general groups.

7           Analgesics (for the relief of pain)

8           Anticoagulants (for blood vessel and heart  
9 conditions)

10          Chemotherapeutics and Antibiotics

11          Hormones

12          Radio-Active Isotopes (used for the diagnosis  
13 and treatment of thyroid disease and cancer).

14          It might be noted here that the Company is  
15 the sole Canadian supplier of Radio-Active  
16 Isotopes for therapeutic use.

17          Vitamins and Minerals

18          Other Preparations for Therapeutic use.

19          Distribution of its products is principally  
20 through Prescription Departments of Retail Pharmacies.

21          Though its main business efforts are in  
22 Canada the Company has also been interested in export,  
23 originally exporting to the West Indies and South America.  
24 However, with the application of Import restrictions in  
25 many countries, it was found necessary to establish  
26 complete manufacturing facilities in Bogota, Colombia, in  
27 1950 and to start manufacturing operations in a limited  
28 way in Lima, Peru, in 1959. Export sales have been  
29 developed in other countries and as a result it is now  
30 planned to establish within the next year two (2) new



1. The main objective of this study is to determine the  
2. various factors which influence the demand for  
3. pharmaceuticals in the Canadian market.  
4. which are these factors? It also seeks to identify  
5. the amount of time (months) that the company's products are  
6. required to be in the market.  
7. Analysis (for the relief of pain)  
8. Anticoagulants (for blood vessel and heart  
9. disease)  
10. Chemotherapeutic and Antibiotic  
11. Hormones  
12. Radio-Active Isotopes (used for the diagnosis  
13. and treatment of thyroid disease and cancer)  
14. It might be noted here that the company is  
15. the sole Canadian supplier of Radio-Active  
16. Isotopes for therapeutic use.  
17. Vitamins and Minerals  
18. Other Preparations for therapeutic use.  
19. Distribution of its products in hospitals  
20. Through its main business efforts are in  
21. Canada the Company has also been interested in export,  
22. originally exporting to the West Indies and South America.  
23. However, with the application of Import restrictions in  
24. many countries, it was found necessary to establish  
25. a sales organization in each of these countries.  
26. In 1950 and 1951 the company's sales were as follows:  
27. way in Lima, Peru, in 1950. Export sales have been  
28. developed in other countries and as a result it is now  
29. planned to establish within the next year two (2) new





1 manufacturing laboratories in other parts of the world.

2                   Throughout the years FROSST has placed  
3 emphasis on pharmaceutical research and has continued to  
4 expand its Research Department. We employ in our Research  
5 and Control Departments -

6                   6 M.D.'s

7                   7 Ph.D.'s

8                   5 M.Sc.'s

9                   12 B.Sc.'s

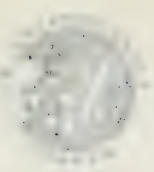
10                  4 B.Sc.Pharm.'s

11                  26 Technicians

12                   This Department has made many contributions  
13 to the field of Medicine, such as Vitamins (D synthesis)  
14 ( $D_2$  and  $D_3$ ), Anticoagulants, Hormones (methods of synthesis),  
15 Anti-thyroid drugs, Radio-Active Tracer Compounds. They  
16 are presently engaged in a broad program investigating  
17 drugs acting on the central nervous system, anti-cancer  
18 agents, hormones, and other fields.

19                   In the pharmaceutical industry, as in other  
20 industries, the odds against developing a product with  
21 commercial potential are long, and for our industry the  
22 odds are established as about two thousand to one. Never-  
23 theless, unless these ventures were made there would be no  
24 possibility at all of achieving a product which might  
25 result in benefit to mankind.

26                   This might be best illustrated by observing  
27 the extent of research in the field of cancer chemotherapy  
28 where literally thousands of compounds are tested every  
29 year for their potentiality. In our company alone, of  
30 several hundred compounds prepared, only a few have shown



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3 emphasis on pharmaceutical research and has continued to  
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5 and Control Departments -  
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In the pharmaceutical industry, as in other industries, the odds against developing a product with commercial potential are long, and for our industry the odds are established as about two thousand to one. Nevertheless, unless these ventures were made there would be no possibility at all of achieving a product which might result in benefit to mankind.

This might be best illustrated by observing the extent of research in the field of cancer chemotherapy where literally thousands of compounds are tested every year for their potentiality. In our company alone, of several hundred compounds prepared, only a few have shown



1 promise, and only one has reached the stage of clinical  
2 trial.

3           The Isotope Laboratory has prepared radio-  
4 active carbon labelled hormones which have been used in  
5 investigative work all over the world. These include:  
6 Radio-active:- Cortisone, Estrone, Estradiol, Desoxycorti-  
7 costerone, Progesterone. These are tagged compounds for  
8 tracer studies.

9           The firm also supports research in a number  
10 of hospitals and universities across Canada and annually  
11 awards eight (8) university scholarships.

12           From a small beginning the research activi-  
13 ties have grown so that in the year ending May, 1961,  
14 following rising costs and increasing competition, the  
15 Company spent over half-a-million dollars on research and  
16 development. This figure does not include the necessary  
17 capital expenditure to provide equipment and space for a  
18 continually growing department. During the last year, in  
19 addition to the necessary research facilities, a new  
20 Animal House was erected at a cost of approximately  
21 \$100,000.00. This addition is to enable the firm to carry  
22 out all its own toxicity tests on all new products before  
23 introduction to the medical profession.

24           FROSST'S give employment to 502 people in  
25 Canada, employed in the following departments:

26	General Administration and Offices	120
27	Production	137
28	Research Laboratories	47
29	Control Laboratories	16
30	Sales Department, office and outside	119





1 The Isotope Laboratory has prepared radio-  
2 active carbon labelled hormones which have been used in  
3 investigative work all over the world. These include:  
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16 development. This figure does not include the necessary  
17 capital expenditure to provide equipment and space for a  
18 continually growing department. During the last year, in  
19 addition to the necessary research facilities, a new  
20 Animal House was erected at a cost of approximately  
21 \$100,000.00. This addition is to enable the firm to carry  
22 out all its own toxicity tests on all new products before  
23 introduction to the medical profession.  
24  
25 FROST'S give employment to 502 people in  
26 Canada, employed in the following departments:  
27  
28 General Administration and Offices 180  
29 Production 187  
30 Research Laboratories 47  
31 Control Laboratories 16  
32 Sales Department, office and outside 119



Depot, Shipping and Service

63

In addition to the scientific personnel previously mentioned our employees include the following with specialized training:

9 B.Sc.'s

1 M.A.

5 B.A.'s

5 B. Comm.

1 Chemical Engineer

2 C.A.'s

80 Pharmaceutical Chemists

All our employees have enjoyed Group Life and Sickness benefits since 1929 and Group Pensions since 1931 and past service benefits have, from time to time, been increased. In addition, there is one unique benefit that they enjoy. Manual workers, generally paid by the hour, are paid a weekly wage for a  $37\frac{1}{2}$  hour week. No one punches a time clock.

This short summary, gentlemen, gives you an outline of the Company's activities and the activities of its Canadian employees, working in Canada, producing pharmaceutical products for Canadian consumption.

I would like to leave with you gentlemen as I mentioned the plant before, this is a brief outline of quality procedures and quality control on the back picture.

MR. RICE: Mr. Frosst is filing the document he has just mentioned.

THE ACTING CHAIRMAN: Thank you, Mr. Frosst. Would you care to answer some questions, Mr. Frosst?



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Depot, Shipping and Service

In addition to the scientific personnel previously mentioned our employees include the following:

1. Scientific Research

2. Sales

3. Admin.

4. Warehouse

5. B. Comm.

6. Chemical Engineer

7. C.A.A.

8. Pharmaceutical Chemists

All our employees have enjoyed Group Life and Sickness benefits since 1929 and Group Pension since 1931 and past service benefits have, from time to time, been increased. In addition, there is one unique benefit that they enjoy. Manual workers, generally paid by the hour, are paid a weekly wage for a 3½ hour week. No one is paid less than \$1.00 per week.

This short summary, gentlemen, gives you an outline of the Company's activities and the activities of its Canadian employees, working in Canada, producing pharmaceutical products for Canadian consumption.

I would like to leave with you gentlemen as I mentioned the plant before, this is a brief outline of quality procedures and quality control on the back picture.

MR. FICKE: Mr. Frost is filling the document

he has just mentioned.

THE ACTING CHAIRMAN: Thank you, Mr. Frost.

Would you care to answer some questions, Mr. Frost?





1 MR. FROSST: Yes, I am quite happy to do so.

2 MR. RICE: Mr. Frosst, is Charles E. Frosst  
3 Company a wholly Canadian-owned and operated company?

4 MR. FROSST: It is wholly Canadian-operated.  
5 There may be some American shareholders in the Class A  
6 shares. All the Class B shares are held in Canada by the  
7 family.

8 MR. RICE: Is it a member of the Canadian  
9 Pharmaceutical Manufacturers' Association?

10 MR. FROSST: Yes.

11 MR. RICE: Did you contribute to the ques-  
12 tionnaire of Mr. Little?

13 MR. FROSST: We did.

14 MR. RICE: For his compilation?

15 MR. FROSST: Yes.

16 MR. RICE: Have you had a chance to peruse  
17 the compilation of Mr. Little?

18 MR. FROSST: Yes.

19 MR. RICE: How does that compilation compare  
20 with the Frosst Company?

21 MR. FROSST: Our selling and promotion costs  
22 are slightly less, are less, and our research costs are  
23 higher.

24 MR. RICE: In perusing the compilation  
25 would it be correct or a valid appraisal of the industry?

26 MR. FROSST: I would think so.

27 MR. RICE: How many different drugs do you  
28 market?

29 MR. FROSST: 250 - did I not mention that?  
30 Approximately 250 as stated on page 1.

MR. FROST: Yes, I am quite happy to do so.

company a wholly Canadian-owned and operated company.

MR. FROST: It is wholly Canadian-operated.

There may be some American shareholders in the Class A

shares. All the Class B shares are held in Canada by the

MR. FROST: Is it a member of the Canadian

MR. FROST: Yes.

MR. RICE: Did you contribute to the cost

statement of Mr. Little?

MR. RICE: For his completion?

MR. FROST: Yes.

MR. RICE: Have you had a chance to pursue

the completion of Mr. Little?

MR. RICE: How does that completion compare

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are slightly less, are less, and our research costs are

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MR. RICE: How many different drugs do you

MR. FROST: 250 - did I not mention that?



1 MR. RICE: I am sorry. Has the price of  
2 those drugs varied in the past two years?

3 MR. FROSST: I can't give you a two-year  
4 study. I could give you a five-year study. May I refer  
5 just a moment now? In 1961 there were 128 products on  
6 our list listed in 1951. Of those products 66 either had  
7 no change in price or had decreased in price; whereas 52  
8 had increased in price. A simple comparison of the list  
9 price of 1951 for all product prices, for the same products  
10 and sizes for 1961 showed 8.53%. If you take a tabulation  
11 of all the products sold in 1951 and prices of them, and  
12 the prices in 1961 you would find that the overall index  
13 increase of 6.7% as against the consumer increase of 14%  
14 for the same period.

15 MR. RICE: Would you attribute this price  
16 change to the ordinary economic changes?

17 MR. FROSST: Just ordinary economic changes.  
18 These go on from day to day.

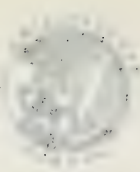
19 MR. RICE: Would competition then be a factor  
20 in the price change?

21 MR. FROSST: Some always, competition is a  
22 factor in all prices.

23 MR. RICE: On this problem of generic and  
24 trade names, I think it has been established some drugs  
25 couldn't be marketed satisfactorily under their generic  
26 name, trade name is more suitable. Does your company  
27 have any preference?

28 MR. FROSST: It certainly has. We prefer  
29 trade name if we can use it because if we establish a trade  
30 name we get the business and we don't create it for





MR. RICH: I am sorry. Has the price of

MR. PROBST: I can't give you a two-year

study. I could give you a five-year study. May I refer

just a moment now? In 1961 there were 128 products on  
our list listed in 1961. Of those products 66 either had  
no change in price or had decreased in price; whereas 56  
had increased in price. A simple comparison of the list

and sizes for 1961 showed 6.6%. If you make a calculation

MR. RICH: Would you attribute this price

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couldn't be marketed satisfactorily under their generic

name, trade name is more suitable. Does your company

MR. PROBST: It certainly has. We prefer



1 somebody else. Isn't that the same as refrigerators,  
2 with cigarettes, with tobacco, with anything that you  
3 mention, even Mr. Eaton puts a trade name on his mattresses.

4 MR. RICE: The trade name gives some protec-  
5 tion?

6 MR. FROSST: Sure it does.

7 MR. RICE: Would you be of the opinion that  
8 trade names would give better protection to manufacturers  
9 than, shall we say, the patent law?

10 MR. FROSST: I don't think they are compa-  
11 rable. The patent is quite a different thing.

12 MR. RICE: Would patents give a degree of  
13 protection to the manufacturer?

14 MR. FROSST: That is what patents are for,  
15 sir, to give protection to the manufacturer.

16 MR. RICE: Are they then giving protection  
17 to the manufacturer?

18 MR. FROSST: Isn't that the basis of the  
19 patent law?

20 MR. RICE: In your opinion, are the Canadian  
21 patent laws giving protection to the manufacturer?

22 MR. FROSST: I would think so.

23 MR. RICE: Have any of the members of the  
24 Committee any questions?

25 THE ACTING CHAIRMAN: Have any of the  
26 members questions? Mr. Lavergne? Mr. Bryden?

27 MR. BRYDEN: Mr. Frosst, would you care to  
28 elaborate as to the answer you gave to Mr. Rice that your  
29 research costs as a percentage of sales is higher than  
30 the industry average as shown?



1 somebody else. Isn't that the name as registrars?

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3 mention, even Mr. Eaton puts a trade name on his matches.

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24 Committee any questions?

25 THE ACTING CHAIRMAN: Have any of the

26 MR. RICE: Mr. Probst, would you care to

27 elaborate as to the answer you gave to Mr. Rice that your

28 research costs as a percentage of sales is higher than

29 the industry average as shown?





1 MR. FROSST: I didn't say it was higher than  
2 the percentage cost, Mr. Bryden. I said it was higher  
3 than the average cost in the industry. I can't give a  
4 percentage because we and one other Canadian manufacturer  
5 are the only two companies that publish financial statements.  
6 If I gave you percentages then very shortly my competition  
7 could know exactly what my sales are and we have never  
8 published sales. I said we spend over one-half-a-million  
9 dollars. If you look at the tabulations of Mr. Little  
10 and divide it through by the number of firms you will find  
11 they spend a lot less even including work done in the  
12 United States for Canadian subsidiaries.

13 MR. BRYDEN: But, I take it then you are  
14 not necessarily saying that your...

15 MR. FROSST: Percentage.

16 MR. BRYDEN: Percentage cost as the percen-  
17 tage of sales is higher than the percentage...

18 MR. FROSST: I didn't say that, no sir. You  
19 see, if I said what they were you would immediately take  
20 500 and some thousand dollars and translate that and have  
21 my sales figure.

22 MR. BRYDEN: It certainly isn't my intention...

23 MR. FROSST: I don't mean you, sir. It  
24 would be of no value to you.

25 MR. BRYDEN: Yes, I can understand that.  
26 If I may refer to your brief at the bottom of page 3, the  
27 last complete paragraph starting: "In the pharmaceutical  
28 industry, as in other industries..." and so on, I notice  
29 in reading that it states here the odds are estimated as  
30 two thousand to one. In reading you said they were



MR. WRIGHT: I don't say it was higher than

the percentage cost, Mr. Bryden. I said it was higher

than the average cost in the industry. I can't give a

percentage, because we and one other Canadian manufacturer

are the only two companies that produce financial statements

if I gave you percentages then very shortly my company, which

could know exactly what my sales are and we have never

published sales, I said we spend over one-half a

dollar. If you look at the financials of Mr. Wright

and divide it through by the number of items you will find

they spend a lot less even including work done in the

United States for Canadian subsidiaries.

MR. BRYDEN: Well, I have to open your eyes

not necessarily saying that you...

MR. WRIGHT: Well, I don't know.

MR. BRYDEN: Well, I don't know about the general

idea of sales is higher than the percentages...

MR. WRIGHT: I don't say that, Mr. Bryden. I

say, if I said what they were you would immediately take

100 and some thousand dollars and translate that and have

an idea of sales.

MR. BRYDEN: It certainly isn't as high as that.

MR. WRIGHT: I don't know, Mr. Bryden. I

would be of no value to you.

MR. BRYDEN: Well, I can understand that.

It is a matter to your credit at the bottom of page 4, the

last complete paragraph stating "In the manufacturing

industry, as in other industries..." and so on, I notice

in reading that it states here the odds are estimated as

two thousand to one. In reading you will find they are



1 established at.

2 MR. FROSST: I didn't write that part. It  
3 was written by the medical director. The two thousand to  
4 one I put in, that has been used in many, many statements  
5 before the Kefauver Committee and others. I haven't any  
6 statistical data on that at all. I am depending on some-  
7 body else to tell you that.

8 MR. BRYDEN: It is a small point.

9 MR. FROSST: I did notice that.

10 MR. BRYDEN: I am rather more interested in  
11 the further statement: "Nevertheless, unless these  
12 ventures were made there would be no possibility at all  
13 of achieving a product which might result in benefit to  
14 mankind". I feel that this is somewhat exaggerated.

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1 MR. BRYDEN: Is it not a fact that a great  
2 deal of the advances in this field -- not all of them by  
3 any means, but a great many of them have been undertaken,  
4 at least have been achieved because of government research  
5 programmes, government initiative in them?

6 MR. FROSST: I don't think it was on the  
7 initiative of governments. I think the thing came about,  
8 and Mr. Leslie could tell you more about that than I  
9 could, but it came about the industry wanted to do it and  
10 we were at war, and they helped; the government helped  
11 them to do it.

12 MR. BRYDEN: I judge from a publication of  
13 the U.S. government on antibiotic manufacturing that it  
14 took a fair amount of inducements to get their co-operation  
15 -- admittedly co-operation in developing processes was  
16 quite substantial -- before the product reached the position  
17 where it could be manufactured.

18 MR. FROSST: That may be so, but by and large  
19 governments don't develop things.

20 MR. BRYDEN: I would suggest to you they  
21 played a big role in the development of penicillin.

22 MR. FROSST: Possibly so.

23 MR. BRYDEN: You refer in the very next  
24 paragraph to some of your research in the cancer  
25 chemotherapy -- in the field of cancer chemotherapy. Is  
26 the United States Government not engaged in a very large  
27 programme in co-operation with the industry in that field  
28 at the present time?

29 MR. FROSST: N.I.H. is screening thousands  
30 of compounds a year. Yes, they are engaged. They are



MR. BRYAN: Is it not a fact that a great

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and Mr. BRYAN said that you were about that than

could, or to come about the industry wanted to do it and

we were at war, and they helped; the government helped

them to do it.

MR. BRYAN: I judge from a publication of

the U.S. Government on antibiotic manufacturing that it

took a lot of time and a lot of investment to get their co-operations

-- antibiotic cooperation in developing processes was

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at the present time?

MR. BRYAN: N.I.H. is screening thousands

of compounds a year. Yes, they are engaged. They are





1 helping, and initial work is being done. Of course they  
2 have a terrific cancer research fund too, but industry  
3 is doing an awful lot.

4 MR. BRYDEN: It is working with the govern-  
5 ment I believe. Incidentally, may I ask if your work in  
6 this field is part of that programme, or are you carrying  
7 on independently?

8 MR. FROSST: We are carrying on independently.  
9 The actual compound we are now investigating at the  
10 clinical level was missed in the screening of N.I.H., and  
11 was picked up by our own people later on.

12 MR. BRYDEN: That is all.

13 THE ACTING CHAIRMAN: Mr. Frosst, on behalf  
14 of the Committee I want to thank you and the other firms  
15 from Montreal for coming into the province of Ontario and  
16 volunteering this information. It has been a great help  
17 to us. Thank you.

18 MR. FROSST: I appreciate that, sir. I might  
19 add if you come to Montreal to see Mr. Ayerst's plant, I  
20 hope you will take time, some of you, to come and see us.  
21 We would like to show you what we have.

22 THE ACTING CHAIRMAN: Thank you very much.  
23 I think we will have a five-minute recess before calling  
24 on the next brief.

25  
26 ---Short recess.

27  
28 THE ACTING CHAIRMAN: Gentlemen, we will  
29 call the meeting to order. Mr. Dentay of Fine Chemicals  
30 of Canada has a brief, I believe. Mr. Dentay?





SUBMISSION OF

FINE CHEMICALS OF CANADA LIMITED

APPEARANCE:

Mr. E.G. Dentay, president.

MR. DENTAY: Mr. Chairman and gentlemen, my name is E.G. Dentay, and I am president of Fine Chemicals of Canada Limited, Toronto.

We have been requested by this Committee to submit a statement describing the nature and activities of Fine Chemicals of Canada Ltd. As the name implies, Fine Chemicals of Canada Limited, is engaged in producing fine chemicals. While there is no generally accepted clear-cut definition of fine chemicals, the Dominion Bureau of Statistics defines them as "pure-grade chemicals used primarily in the pharmaceutical, food, beverage and allied industries". So far our activities have been devoted exclusively to the production of medicinal chemicals used by pharmaceutical laboratories as raw materials but in time we hope to expand into other fields.

Our operations are quite distinct from those of a pharmaceutical laboratory, which produces finished drugs in dosage forms. Our relationship to the pharmaceutical industry is somewhat similar to that of a flour mill to bakeries. We supply bulk fine chemicals to the pharmaceutical industry just as flour mills supply flour to the bakeries. But just as the flour mill does not prepare bread and cakes, Fine Chemicals of Canada does not manufacture medicines in finished dosage form. We do not sell to druggists or to physicians but only to manufacturers. Our products are sold under their common chemical names.







1 The greater part of Canada's requirements  
2 of fine chemicals is still imported from the United States,  
3 Great Britain and Continental Europe. However, Canada's  
4 steadily growing demand for these products is now being  
5 met in part by domestic producers.

6 Fine Chemicals of Canada was responsible for  
7 pioneering the domestic manufacturing of several pharma-  
8 ceutical chemicals.

9 Fine Chemicals of Canada Limited was founded  
10 in 1939 with three objectives:

- 11 1. To supply chemicals to the Canadian pharma-  
12 ceutical industry.
- 13 2. To make the Canadian pharmaceutical industry  
14 less dependent on foreign imports of raw  
15 materials.
- 16 3. To make use of Canadian raw materials and  
17 by-products.

18 The company was founded by the late J.S. MacLean (then  
19 president of Canada Packers Limited), jointly with S.G.  
20 Bennett, (president of Beardmore & Co. Limited) and myself.  
21 I came to Canada from Europe where I was engaged in the  
22 manufacture of diverse industrial chemicals. I received  
23 my formal training at the Technical University in Berlin -  
24 Charlottenburg and subsequently worked for a while at the  
25 Kaiser Wilhelm Research Institute in Berlin-Dahlem.

26 Fine Chemical of Canada was incorporated  
27 originally under the name Canadian Fine Chemicals. However,  
28 late in 1939 when J.S. MacLean and S.G. Bennett sold their  
29 shares to me, the Company's name was changed to Fine  
30 Chemicals of Canada Limited. In 1955, in order to broaden



The greater part of Canada's requirements of fine chemicals is still imported from the United States, Great Britain and Continental Europe. However, Canada's steadily growing demand for these products is now being met in part by domestic producers.

Fine chemicals of Canada are responsible for increasing the domestic manufacturing of several pharmaceutical chemicals.

Since 1945, Canada's chemical industry has been

in 1949 with three objectives:

1. To supply chemicals to the Canadian pharmaceutical industry.

2. To make the Canadian pharmaceutical industry less dependent on foreign imports of raw materials.

3. To make use of Canadian raw materials and

chemicals.

The concept was founded by the late J.S. Macdonald (then president of Canada Packers Limited), jointly with S.A. Bennett, (president of Beecham & Co. Limited) and myself.

I came to Canada from Europe where I was engaged in the manufacture of various industrial chemicals. I received my formal training at the Technical University in Berlin - Charlottenburg and subsequently worked for a while at the

Chemical Research Corporation in London.

When Chemical of Canada was incorporated

in 1949, the company's name was changed to Fine

Chemicals of Canada Limited. In 1950, in order to broaden





1 the financial basis of the Company and facilitate more  
2 rapid development, the capital of the Company was sub-  
3 stantially increased. Two major shareholders, Fisons  
4 Limited, Felixstow, England and Dillons Chemical Company  
5 Limited, Montreal-Toronto, subscribed to the newly-issued  
6 shares acquiring thereby the majority of the share capital.  
7 No major change took place in the Company's capital  
8 structure or ownership until June 1960 when S.B. Penick &  
9 Company, New York, acquired the controlling interest in  
10 the Company's shares. S.B. Penick & Company are engaged  
11 in the same type of bulk fine chemical manufacturing as  
12 we do.

13           Reverting to the history of the Company's  
14 manufacturing development, in 1939 the Company commenced  
15 operations in modest quarters in downtown Toronto. The  
16 top floor of a warehouse was rented on Fleet Street where  
17 all operations were carried out. Due to its contacts  
18 with the meat packing industry, the Company began with the  
19 manufacture of pharmaceutical raw materials based on animal  
20 glands, and other meat packing by-products. The products  
21 made were oral liver extracts, and a whole range of glandu-  
22 lar powders. Later on, the line was broadened with the  
23 addition of bile salts, dehydrocholic acid, desoxycholic  
24 acid, cholic acid, etc. Also injectable liver extracts  
25 and pancreatic enzyme products were added. Raw materials  
26 for these glandular products were obtained largely from  
27 meat packers in Canada.

28           About 1943 the Company commenced the manu-  
29 facture of botanical extracts and through the years has  
30 enlarged its line to include most of these extracts required





1 by the pharmaceutical industry. Perhaps the most important  
2 of these botanicals are Podophyllin, Aloin, Oleoresins,  
3 Extracts of Cascara and Serega, White Willow, Wild Cherry,  
4 Golden Seal, Cocillana, Belladonna. Prior to 1943  
5 practically all botanical extracts had to be imported into  
6 Canada. Today Fine Chemicals can not only satisfy Canada's  
7 total domestic requirements but also has developed a  
8 sizeable export trade the world over. Initially, herbs and  
9 other botanical raw materials were bought from merchants  
10 in London, Hamburg and New York.

11 Today the main quantities of these crude  
12 drugs are being procured directly from the source: -  
13 Cascara from British Columbia, Senega root from Northern  
14 Saskatchewan and Manitoba, Ginger from Jamaica, Kola from  
15 North Africa, Buchu from South Africa, Rauwolfia Serpentina  
16 from India and Burma, Rauwolfia Vomitoria from the Belgian  
17 Congo, Licorice from Turkey, Wild Cherry from North  
18 Carolina and so forth.

19 In 1946 Fine Chemicals of Canada Limited  
20 became one of the first producers of Rutin, a glucoside  
21 developed by the United States Department of Agriculture  
22 and used to combat capillary fragility and bleeding. At  
23 first Rutin was extracted from buckwheat grown on farms  
24 near Toronto but finally it was manufactured from Chinese  
25 Sophora Japonica Seeds and Australian Eucalyptus leaves.  
26 A new streamlined method of production was installed which  
27 enabled the Company to make Rutin at a small fraction of  
28 the original cost and thus to establish itself as a major  
29 world supplier of Rutin. Unfortunately, Rutin did not keep  
30 the original high promise it seemed to hold and consumption





by the pharmaceutical industry. Perhaps the most important  
of these botanicals are Podophyllin, Aconite, Ostrya, and  
Extracts of Cassia and Sassafras, White Willow, Wild Cherry,  
Practically all botanical extracts had to be imported into  
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Today the main quantities of these crude  
drugs are being produced directly from the source -  
Cassia from British Columbia, Aconite root from Northern  
Saskatchewan and Western Canada, from Jamaica, Kola from  
North Africa, Sassafras from South Africa, Podophyllin from  
from India and Burma, Rauwolfia from the Belgian  
Congo, Licorice from Turkey, Wild Cherry from Korea  
Carolina and so forth.  
In 1946 Fine Chemicals of Canada Limited  
became one of the first producers of Ruto, a ginseng  
developed by the United States Department of Agriculture  
and used to combat cellular leakage and bleeding. At  
first Ruto was extracted from one of the most common  
near Toronto but finally it was manufactured from Chinese  
Sophora japonica seeds and Australian Eucalyptus leaves.  
A new streamlined method of production was installed which  
enabled the Company to make Ruto at a small fraction of  
the original cost and thus to establish itself as a major  
world supplier of Ruto. Unfortunately, Ruto did not keep  
its promise it seemed to hold and consumption



1 fell off. Our present Rutin business is insignificant.

2 Since 1945, major emphasis has been placed  
3 on synthetic organic chemicals for the pharmaceutical  
4 industry; some of the more important products which have  
5 been prepared are Nikethamide, Nicotinic Acid Esters,  
6 Dihydroxypropyltheophylline and other Theophylline  
7 derivatives, Mercurial Diuretics, Piperazine Salts, Lido-  
8 caine Hydrochloride, Salicylamide, Adrenochrome  
9 Semicarbazone, Oral Antidiabetic agents, and so forth.

10 Due to the constantly changing demand, some of these  
11 chemicals are now no longer produced by Fine Chemicals.  
12 On the other hand, since the discovery of tranquilizers,  
13 the Company has taken up the manufacture of some of  
14 the major products in this line, such as Meproamate,  
15 Promazine and Chlorpromazine.

16 In 1953, the production of Reserpine  
17 Alkaloid from the tropical Rauwolfia plant was undertaken.  
18 This was also a "first" for Canada. The manufacture of this  
19 recently introduced modern drug calls for involved pro-  
20 cesses and special machinery. It was quite a feat on the  
21 part of Fine Chemicals to be amongst the world's first  
22 pharmaceutical companies to accomplish the isolation of  
23 pure, crystalline Reserpine.

24 From the foregoing it will become clear that  
25 the Company's chemical manufacturing activities may be  
26 roughly divided into three categories: Products of animal  
27 origin and products of botanical origin, and synthetic organic chemicals. By  
28 the end of World War II, it was realized that to compete  
29 successfully larger scale processing equipment would be  
30 necessary. The Company, therefore, moved its headquarters



fell off. Our present R&D business is insignificant.  
Since 1945, major emphasis has been placed

on synthetic organic chemicals for the pharmaceutical  
industry; some of the more important products which have

derivatives, hormonal substances, fibrolytic salts, lico-  
caine hydrochloride, salicylamide, adrenochrome

Semiochemicals, Oral Antibiotic agents, and so forth.

Due to the constantly changing demand, some of these  
chemicals are now no longer produced by Fine Chemicals.

On the other hand, since the discovery of penicillins,  
the company has taken up the manufacture of some of

the major products in this line, such as neomycin,

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1 to Pharmacy Avenue in Scarborough where gradually a modern  
2 plant was erected on 5 acres of land with approximately  
3 50,000 square feet of floor space. This fixed investment  
4 was financed initially with a long-term loan from the  
5 Industrial Development Bank. Over the years, several new  
6 buildings and a modern research laboratory were added to the  
7 original plant.

8 Today the Company has close to one-and-a-half  
9 million dollars worth of fixed investment in buildings  
10 and equipment of the most modern up-to-date kind. It  
11 employs over 100 people, of whom close to one quarter  
12 are university graduates.

13 In order to appreciate the value of the  
14 pioneering work carried out by Fine Chemicals of Canada,  
15 one should also keep in mind that before Fine Chemicals of  
16 Canada was established, Canada had comparatively little  
17 chemical industry serving the pharmaceutical laboratories.  
18 For this reason we could not build on existing foundations  
19 and had to start from scratch.

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1 to Pharmacy Avenue in Scarborough where gradually a modern  
 2 plant was erected on 2 acres of land with approximately  
 3 50,000 square feet of floor space. This fixed investment  
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 14 pioneering work carried out by Fine Chemicals of Canada,  
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 17 chemical industry serving the pharmaceutical laboratories.  
 18 For this reason we could not build on existing foundations  
 19 and had to start from scratch.



/dpw 1 Chemists had to be assembled from the world  
2 over with special experience gained in countries with  
3 long-established pharmaceutical chemical industries and  
4 Canadian chemists had to be trained in the plant of Fine  
5 Chemicals to acquire the necessary knowledge and experience.  
6 Fine Chemicals have built up their own research department  
7 and are carrying out an important work of process develop-  
8 ment. All this has laid the foundation for considerable  
9 employment of brain workers in Canada and has started a  
10 tradition in a new branch of industry.

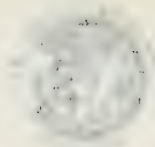
11 At the outset we found it extremely diffi-  
12 cult to gain acceptance by the pharmaceutical trade. The  
13 Canadian laboratories were reluctant to abandon their  
14 regular suppliers and trust a newcomer. But Fine Chemicals  
15 of Canada was gradually able to wear down the sales resis-  
16 tance and managed to convince the trade of the reliable  
17 purity of its products and the value of its services.  
18 Today practically every Canadian pharmaceutical laboratory,  
19 whether large or small, is a customer of ours.

20 The value of the research work carried out  
21 at Fine Chemicals is demonstrated by the fact that this  
22 young, and still not large, Company has sold some processes  
23 that were developed in its own laboratories to some of the  
24 largest and best-known pharmaceutical laboratories in the  
25 United States and in Europe.

26 The basic policy of the Company is to supply  
27 Canadian-made raw materials to the Canadian pharmaceutical  
28 industry, and to pioneer the development of new organic  
29 chemicals.

30 Only about one-half of the items produced





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industry, and to pioneer the development of new organic

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Only about one-half of the items produced



1 are sold in Canada. The remainder is being exported to  
2 about 50 different countries all over the world.

3 In addition to manufacturing basic pharmaceu-  
4 tical chemicals, the Company has also a compounding divi-  
5 sion in which customer formulations are prepared. This  
6 division includes a department for injectables, a supposi-  
7 tory department and a solutions department. The products  
8 of this division are supplied to the same customers as our  
9 bulk chemicals, namely to the pharmaceutical laboratories,  
10 but they are processed into a pharmaceutically more  
11 advanced form: They are sold as solutions, rectal supposi-  
12 tories, ampoules and rubber-capped vials.

13 Especially the handling and packaging of  
14 injectable solutions calls for great care, experienced  
15 staff and special equipment. Fine Chemicals of Canada  
16 has assembled all the necessary machinery and know-how and  
17 is today in the position to produce the most exacting  
18 kinds of injectables. The latter include lyophilized  
19 (freeze-dried) ampoules and vials, aseptic filling under  
20 neutral gases, formulations that get around incompatibili-  
21 ties, injections that are painless, and so forth. These  
22 products are supplied exclusively under the customer's  
23 label.

24 To complete the picture, I should mention  
25 that Fine Chemicals of Canada have recently acquired and  
26 today wholly owns two subsidiaries, namely Lafayette  
27 Laboratories Limited, Toronto, which firm distributes  
28 farm chemicals and pesticides and Intra Medical Products  
29 Limited, Toronto which is a manufacturer and distributor  
30 of pharmaceutical specialties.



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In addition to manufacturing basic pharmaceutical  
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department and a solutions department. The products  
of this division are supplied to the same customers as our  
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injection ampoules and rubber-encased vials.  
Respectively the handling and packaging of  
injectable solutions calls for great care, experienced  
staff and special equipment. The Chemicals of Canada  
has assembled all the necessary machinery and know-how and  
is today in the position to produce the most exacting  
standards of injectables. The latter include hypodermic  
(freeze-dried) ampoules and vials, aseptic filling under  
neutral gases, formulations that are almost incompatible  
with water, injections that are painless, and so forth. These  
products are supplied to the same customers as the basic chemicals.  
To complete the picture, I should mention  
that the Chemicals of Canada have recently acquired and  
today wholly owns two subsidiaries, namely Lafayette  
Laboratories Limited, Toronto, which firm distributes  
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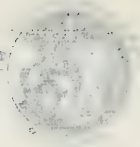
1                   Pioneering is not all smooth sailing. This  
2 is the reason why so few companies produce pharmaceutical  
3 chemicals in Canada. Competition is world-wide and we in  
4 Canada are at a serious disadvantage against Britain, Japan,  
5 Continental Europe and the U.S.A. Chemical manufacturers  
6 south of the border have the advantage of a well-protected  
7 huge domestic market. The Europeans and the Japanese pay  
8 very much lower wages than we, their export sales are  
9 often subsidized and they often have access to cheaper  
10 raw materials.

11                   Most - though not all - bulk pharmaceutical  
12 chemicals enter this country, as long as not made in  
13 Canada under tariff item 208T - free of duty from Britain  
14 and pay 15% duty if originating in a "Most Favoured  
15 Nation". The latter category includes the United States.  
16 When "made in Canada" there is a 15% duty on chemicals of  
17 Commonwealth origin and 20% if originating in a Most  
18 Favoured Nation.

19                   1961 PRODUCT LIST

20                   SOFT AND POWDERED EXTRACTS

21	DESCRIPTION	DRUG STRENGTH
22	ACONITE LEAVES	1:4
23	ACONITE ROOT	1:4
24	ADNOIS VERNALIS	1:4
25	ALETTRIS ROOT	1:5
26	ALFALFA	1:4
27	ALOES NF VII	1:2
28	ALTHEA ROOT	1:4
29	ARNICA FLOWERS	1:4
30	ARTICHOKE LEAVES	1:4



This flowering is not all smooth sailing.

45.

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IN THE ATLANTA



SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	ASPARAGUS ROOT	1:4
4	ASPARAGUS SEED	1:4
5	AVENA SATIVA	1:4
6		
7	BALM GILEAD BUDS	1:4
8	BELLADONNA LEAVES 1.0% ALK.	BP
9	BELLADONNA LEAVES 1.25% ALK.	NF
10	BELLADONNA LEAVES 2% ALK.	
11	BELLADONNA ROOT 1.25% ALK.	
12	BELLADONNA ROOT 2% ALK.	
13	BELLADONNA ROOT 3% ALK.	
14	BENZOIN COMPOUND	
15	BERBERIS ROOT	1:4
16	BIRCH BARK	1:3
17	BLACKBERRY BARK OF ROOT	1:4
18	BLACK COHOSH ROOT	1:4
19	BLACK HAW BARK OF TREE	1:5
20	BLACK HAW BARK OF ROOT	1:4
21	BLACK INDIAN HEMP	1:4
22	BLADDERWRACK	1:4
23	BLOOD ROOT	1:4
24	BLUE COHOSH ROOT	1:4
25	BLUE FLAG ROOT	1:4
26	BOLDO LEAVES	1:4
27	BONESET HERB	1:4
28	BROOM CORN SEED	1:4
29	BROOM TOPS	1:4
30	BRYONIA ROOT	1:5



SOFT AND TOWNE'S EXTENDED

DESCRIPTION

1:4 ASPARAGUS ROOT

1:4 ASPARAGUS SHED

1:4 AVENA SATIVA

1:4 BARN GLEED ROOT

1:4 BELLADONNA LEAVES 1.0% ALK.

1:4 BELLADONNA LEAVES 1.0% ALK.

1:4 BELLADONNA LEAVES 1.0% ALK.

1:4 BELLADONNA LEAVES 1.0% ALK.

1:4 BELLADONNA ROOT 2% ALK.

1:4 BELLADONNA ROOT 2% ALK.

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1:4 BELLADONNA ROOT 2% ALK.

1:4 BIRCH BARK

1:4 BLACKBERRY BARK OF ROOT

1:4 BLACK GOSH ROOT

1:4 BLACK HAW BARK OF TREE

1:4 BLACK HAW BARK OF ROOT

1:4 BLACK INDIAN HONEY

1:4 BLOOD ROOT

1:4 BLUE GOSH ROOT

1:4 BLUE FLAG ROOT

1:4 BLUE FLAG ROOT

1:4 BLUE FLAG ROOT

1:4 BLUE FLAG ROOT

1:4 BLUE FLAG ROOT

1:4 BLUE FLAG ROOT

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1:4 BLUE FLAG ROOT



SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	BUCHU LEAVES	1:4
4	BUCKTHORN BARK	1:4
5	BURDOCK ROOT	1:5
6	BUTTERNUT BARK	1:4
7		
8	CACTUS GRANDIFLORUS	1:10
9	CALABAR BEANS	1:4
10	CALENDULA FLOWERS	1:4
11	CARDAMON COMPOUND	1:4
12	CASSIA BARK	1:4
13	CASCARA BITTERLESS	1:4
14	CASCARA SAGRADA BARK GRAN. (NOT COARSER THAN 14 MESH)	1:3
15	CASCARA SAGRADA BARK GRAN. (14-40 MESH)	1:3
16	CASCARA SAGRADA BARK	NF
17	CASCARA SAGRADA BARK BITTERLESS	1:3
18	CASCARA SAGRADA BARK AROMATIC	1:3
19	CASCARA SAGRADA BARK BITTER	1:3
20	CATNIP HERB	1:4
21	CELERY SEED	1:4
22	CHAMOMILE FLOWERS HUNGARIAN	1:4
23	CHESTNUT LEAVES	1:4
24	CHICORY ROOT NOT ROASTED	F
25	CHICORY ROOT ROASTED	F
26	CINCHONA BARK RED 15% TOTAL ALKALOIDS	
27	CLOVER TOPS RED	1:4
28	COCILLANA BARK	1:10
29		
30	COCILLANA COMPOUND DARK FOR SYRUP	



SOFT, AND POWDERED EXTRACTS

DRUG STRONG	DESCRIPTION
1:4	BUCHU LEAVES
1:4	BLACKBERRY BARK
1:5	BIRDPOCK ROOT
1:4	BUTTERNUT BARK
1:10	CACTUS GLANDULIFERUS
1:4	CALAMUS
1:4	CALAMUS FLOWERS
1:4	CARDAMOM COMPOUND
1:4	CASSIA BARK
1:4	CASSIA BITTERNESS
1:4	CASSIA BITTERNESS (NOT COARSE THAN 1/4 INCH)
1:3	CASSIA SAGADA BARK GRAN.
1:3	CASSIA SAGADA BARK
1:3	CASSIA SAGADA BARK BITTERNESS
1:3	CASSIA SAGADA BARK AROMATIC
1:3	CASSIA SAGADA BARK BITTER
1:4	CATNIP HERB
1:4	CHAMOMILE FLOWERS HUNGARIAN
1:4	CHERRYBUT LEAVES
1:4	CHERRYBUT ROOT NOT ROASTED
1:4	CHERRYBUT ROOT ROASTED
1:10	CLINCHONA BARK RED 1/2 TOTAL ALKALOIDS
1:4	CLOVER TOPS RED
1:10	COCCILLANA BARK
	COCCILLANA COMPOUND BARK FOR SYRUP





SOFT AND POWDERED EXTRACTS

1	SOFT AND POWDERED EXTRACTS	
2	DESCRIPTION	DRUG STRENGTH
3	COCILLANA COMPOUND LIGHT COLOURED FOR SYRUP	
4	COCILLANA COMPOUND HOPKINS TYPE FOR SYRUP	
5	COFFEE - SEE KAFA KON	
6	COLCHICUM CORM 1% ALKALOIDS	
	COLCHICUM SEED 1.5% ALKALOIDS	
7	COLOCYNTH COMPOUND	NF
8	COLOCYNTH COMPOUND	BPC
9	COLOCYNTH PULP	NF
10	COLOMBO ROOT	1:4
11	COLTSFOOT LEAVES	1:4
12	CONDURANGO BARK	1:4
13	CONIUM LEAVES	1:4
14	CORN SILK	1:4
15	COTTON ROOT BARK	1:5
16	CRAMP BARK TRUE	1:4
17	CUBED BERRIES	1:4
18	CULVERS ROOT	1:4
19		
	DAMIANA LEAVES	1:4
20	DANDELION ROOT	1:3
21	DEERTONGUE LEAVES	F
22	DOGGRASS	1:3
23	DOGWOOD BARK JAMAICA	1:5
24	DROSER A HERB	1:4
25		
26	ECHINACEA ROOT	1:4
27	ELDER FLOWERS	1:3
28	ELECAMPANE ROOT	1:4
29	EPHEDRA HERB	1:5
30	ERGOT	1:4





SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	EUCALYPTUS LEAVES	1:4
4	EUPHORBIA HERB	1:5
5		
6	FOENUGREEK SEED	F
7	FOENUGREEK SEED SPECIAL FLAVOUR	F
8	FRINGE TREE BARK	1:3
9		
10	GALEGA HERB	1:4
11	GELSEMIUM ROOT	1:4
12	GENTIAN COMPOUND	1:3
13	GENTIAN ROOT	1:2
14	GINGER ROOT	
15	GOLDEN SEAL ROOT 9-11% ALKALOIDS	
16	GRINDELIA HERB	1:4
17	GUAIAC GUM STRAINED LUMP	
18	GUARANA	1:4
19		
20	HAWTHORNE BERRIES	1:4
21	HELLEBORE ROOT AMERICAN	1:4
22	HELLEBORE ROOT BLACK	1:3
23	HELONIAS ROOT	1:4
24		
25	HENBANE LEAVES NF 0.155% ALKALOIDS	
26	HENBANE LEAVES BP 0.3% ALKALOIDS	
27	HICKORY BARK	1:4
28	HOPS	1:4
29	HOREHOUND HERB	F
30	HORSE CHESTNUTS	1:4
	HORSE CHESTNUT BARK	1:4
	HORSE TAIL RUSH	1:4





SOFT AND POWDERY MATERIALS

1-5	TERROPHIA THREB
1-6	TERROPHIA THREB
1-7	TERROPHIA THREB
1-8	TERROPHIA THREB
1-9	TERROPHIA THREB
1-10	TERROPHIA THREB
1-11	TERROPHIA THREB
1-12	TERROPHIA THREB
1-13	TERROPHIA THREB
1-14	TERROPHIA THREB
1-15	TERROPHIA THREB
1-16	TERROPHIA THREB
1-17	TERROPHIA THREB
1-18	TERROPHIA THREB
1-19	TERROPHIA THREB
1-20	TERROPHIA THREB
1-21	TERROPHIA THREB
1-22	TERROPHIA THREB
1-23	TERROPHIA THREB
1-24	TERROPHIA THREB
1-25	TERROPHIA THREB
1-26	TERROPHIA THREB
1-27	TERROPHIA THREB
1-28	TERROPHIA THREB
1-29	TERROPHIA THREB
1-30	TERROPHIA THREB
1-31	TERROPHIA THREB
1-32	TERROPHIA THREB
1-33	TERROPHIA THREB
1-34	TERROPHIA THREB
1-35	TERROPHIA THREB
1-36	TERROPHIA THREB
1-37	TERROPHIA THREB
1-38	TERROPHIA THREB
1-39	TERROPHIA THREB
1-40	TERROPHIA THREB
1-41	TERROPHIA THREB
1-42	TERROPHIA THREB
1-43	TERROPHIA THREB
1-44	TERROPHIA THREB
1-45	TERROPHIA THREB
1-46	TERROPHIA THREB
1-47	TERROPHIA THREB
1-48	TERROPHIA THREB
1-49	TERROPHIA THREB
1-50	TERROPHIA THREB



SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	HYDRANGAEA ROOT	1:5
4		
5	IPECAC ROOT 10.4% ALKALOID	
6	IPECAC ROOT 11.4% ALKALOID	
7	JABORANDI LEAVES	1:4
8	JALAP ROOT 32% RESIN	
9	JAMBUL SEED	1:4
10	JAVA TEA	1:4
11	JUNIPER BERRIES	1:3
12		
13	KAFA KON (COFFEE)	F
14	KAVA KAVA ROOT	1:5
15	KOLA NUTS	1:4
16	LADY SLIPPER ROOT	1:4
17	LICORICE ROOT	USP
18	LICORICE ROOT	
19	LIFE EVERLASTING	1:4
20	LIFE ROOT PLANT	1:4
21	LOBELIA HERB	1:4
22	LOBELIA HERB 2% ALKALOIDS	
23	LOVAGE ROOT	F
24		
25	MANACA ROOT	1:4
26	MANDRAKE ROOT	1:4
27	MAPLE BASE IMITATION	F
28	MAPLE FLAVOUR BASE HOPKINS TYPE	F
29	MISTLETOE HERB IMPORTED	1:4
30	MOUNTAIN MAPLE	



ONTARIO, CANADA

SOFT AND BOWLED EXTRUDS

DESCRIPTION	DWTO STRENGTH
HYDRA-ROOF	1:1
HYDRA-ROOF 10.4% ALKALINE	
HYDRA-ROOF 11.4% ALKALINE	
HYDRA-ROOF 12.4% ALKALINE	1:1
HYDRA-ROOF 13.4% ALKALINE	
HYDRA-ROOF 14.4% ALKALINE	1:1
HYDRA-ROOF 15.4% ALKALINE	
HYDRA-ROOF 16.4% ALKALINE	1:1
HYDRA-ROOF 17.4% ALKALINE	
HYDRA-ROOF 18.4% ALKALINE	1:1
HYDRA-ROOF 19.4% ALKALINE	
HYDRA-ROOF 20.4% ALKALINE	1:1
HYDRA-ROOF 21.4% ALKALINE	
HYDRA-ROOF 22.4% ALKALINE	1:1
HYDRA-ROOF 23.4% ALKALINE	
HYDRA-ROOF 24.4% ALKALINE	1:1
HYDRA-ROOF 25.4% ALKALINE	
HYDRA-ROOF 26.4% ALKALINE	1:1
HYDRA-ROOF 27.4% ALKALINE	
HYDRA-ROOF 28.4% ALKALINE	1:1
HYDRA-ROOF 29.4% ALKALINE	
HYDRA-ROOF 30.4% ALKALINE	1:1
HYDRA-ROOF 31.4% ALKALINE	
HYDRA-ROOF 32.4% ALKALINE	1:1
HYDRA-ROOF 33.4% ALKALINE	
HYDRA-ROOF 34.4% ALKALINE	1:1
HYDRA-ROOF 35.4% ALKALINE	
HYDRA-ROOF 36.4% ALKALINE	1:1
HYDRA-ROOF 37.4% ALKALINE	
HYDRA-ROOF 38.4% ALKALINE	1:1
HYDRA-ROOF 39.4% ALKALINE	
HYDRA-ROOF 40.4% ALKALINE	1:1
HYDRA-ROOF 41.4% ALKALINE	
HYDRA-ROOF 42.4% ALKALINE	1:1
HYDRA-ROOF 43.4% ALKALINE	
HYDRA-ROOF 44.4% ALKALINE	1:1
HYDRA-ROOF 45.4% ALKALINE	
HYDRA-ROOF 46.4% ALKALINE	1:1
HYDRA-ROOF 47.4% ALKALINE	
HYDRA-ROOF 48.4% ALKALINE	1:1
HYDRA-ROOF 49.4% ALKALINE	
HYDRA-ROOF 50.4% ALKALINE	1:1
HYDRA-ROOF 51.4% ALKALINE	
HYDRA-ROOF 52.4% ALKALINE	1:1
HYDRA-ROOF 53.4% ALKALINE	
HYDRA-ROOF 54.4% ALKALINE	1:1
HYDRA-ROOF 55.4% ALKALINE	
HYDRA-ROOF 56.4% ALKALINE	1:1
HYDRA-ROOF 57.4% ALKALINE	
HYDRA-ROOF 58.4% ALKALINE	1:1
HYDRA-ROOF 59.4% ALKALINE	
HYDRA-ROOF 60.4% ALKALINE	1:1
HYDRA-ROOF 61.4% ALKALINE	
HYDRA-ROOF 62.4% ALKALINE	1:1
HYDRA-ROOF 63.4% ALKALINE	
HYDRA-ROOF 64.4% ALKALINE	1:1
HYDRA-ROOF 65.4% ALKALINE	
HYDRA-ROOF 66.4% ALKALINE	1:1
HYDRA-ROOF 67.4% ALKALINE	
HYDRA-ROOF 68.4% ALKALINE	1:1
HYDRA-ROOF 69.4% ALKALINE	
HYDRA-ROOF 70.4% ALKALINE	1:1
HYDRA-ROOF 71.4% ALKALINE	
HYDRA-ROOF 72.4% ALKALINE	1:1
HYDRA-ROOF 73.4% ALKALINE	
HYDRA-ROOF 74.4% ALKALINE	1:1
HYDRA-ROOF 75.4% ALKALINE	
HYDRA-ROOF 76.4% ALKALINE	1:1
HYDRA-ROOF 77.4% ALKALINE	
HYDRA-ROOF 78.4% ALKALINE	1:1
HYDRA-ROOF 79.4% ALKALINE	
HYDRA-ROOF 80.4% ALKALINE	1:1
HYDRA-ROOF 81.4% ALKALINE	
HYDRA-ROOF 82.4% ALKALINE	1:1
HYDRA-ROOF 83.4% ALKALINE	
HYDRA-ROOF 84.4% ALKALINE	1:1
HYDRA-ROOF 85.4% ALKALINE	
HYDRA-ROOF 86.4% ALKALINE	1:1
HYDRA-ROOF 87.4% ALKALINE	
HYDRA-ROOF 88.4% ALKALINE	1:1
HYDRA-ROOF 89.4% ALKALINE	
HYDRA-ROOF 90.4% ALKALINE	1:1
HYDRA-ROOF 91.4% ALKALINE	
HYDRA-ROOF 92.4% ALKALINE	1:1
HYDRA-ROOF 93.4% ALKALINE	
HYDRA-ROOF 94.4% ALKALINE	1:1
HYDRA-ROOF 95.4% ALKALINE	
HYDRA-ROOF 96.4% ALKALINE	1:1
HYDRA-ROOF 97.4% ALKALINE	
HYDRA-ROOF 98.4% ALKALINE	1:1
HYDRA-ROOF 99.4% ALKALINE	
HYDRA-ROOF 100.4% ALKALINE	1:1





SOFT AND POWDERED EXTRACTS

1	DESCRIPTION	DRUG STRENGTH
2		
3	MUIRA PUAMA	1:4
4	MULLEIN LEAVES	1:4
5	MUSK ROOT	1:3
6	MYRRH GUM	
7		
8	NETTLE HERB	1:4
9	NUX VOMICA 7.0-7.75% STRYCHNINE	
10	NUX VOMICA	NF
11	ORANGE PEEL BITTER	1:4
12	ORANGE PEEL SWEET	1:4
13		
14	PAREIRA BRAVA	1:4
15	PARSLEY SEED	1:4
16	PASSION FLOWER HERB	1:4
17	PEONY ROOT	1:4
18	PICHI TOPS	1:4
19	PINK ROOT	1:5
20	PIPSISSEWA HERB	1:4
21	PLUME THISTLE	1:3
22	POKE BERRIES	1:4
23	POKE ROOT	1:4
24	PRICKLY ASH BARK	1:4
25	PULSATILLA HERB	1:4
26	QUASSIA	1:10
27	QUEBRACHO BARK	1:4
28	QUEEN OF MEADOW ROOT	1:4
29	RAUWOLFIA SERPENTINA ROOT 8% ALKALOIDS	
30		



ATKINS, STONEMAN & CO. LTD.  
TORONTO, ONTARIO

Dentay

SOFT AND POWDERED EXTRACTS

WATERMELON

1:4 MELBA PUMPA

1:4 MEXICAN LEMON

1:3 MEXICAN ROSE

MYRRH (W)

1:4 MEXICAN HONEY

MEXICAN VIOLET 1:0 V. 1:50 STYAGNINE

MEXICAN VIOLET

1:4 ORANGE PEEL BITTER

1:4 ORANGE PEEL SWEET

1:4 PINK LEMON

1:4 PINK LEMON

1:4 PINK LEMON

1:4 PINK ROSE

1:4 PINK ROSE

1:5 PINK ROSE

1:4 PINK ROSE

1:3 PINK ROSE

1:4 PINK ROSE

1:4 PINK ROSE

1:4 PINK ROSE

1:4 PINK ROSE

1:50 CLASSIC

1:4 CLASSIC

1:4 CLASSIC

1:4 CLASSIC



SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	RHATANY ROOT	1:4
4	RHUBARB ROOT INDIAN	1:2
5	RHUS AROMATIC BARK	1:4
6	RYE	1:6
7		
8	SAGE	1:3
9	ST. JOHNS BREAD	F
10	SANDALWOOD	1:7
11	SARSAPARILLA COMPOUND	1:4
12	SARSAPARILLA ROOT	1:5
13	SASSAFRAS BARK	1:4
14	SASSAFRAS BARK (WATER SOL.)	F
15	SAW PALMETTO BERRIES	1:3
16	SCOURING RUSH	1:4
17	SCULLCAP HERB	1:4
18	SENEGA ROOT	1:3
19	SENNA LEAVES	1:3
20	SENNA PODS	1:3
21	SERPENTARIA ROOT	1:4
22	SNAKE ROOT CANADA	1:4
23	SOURWOOD LEAVES	1:3
24	SPIKENARD ROOT	1:4
25	SQUAW VINE	1:4
26	SQUILLS WHITE	1:2
27	STILLINGIA ROOT	1:4
28	STONE ROOT	1:4
29	STRAMONIUM LEAVES 0.9-1.10% ALKALOIDS	
30	STROPHANTHUS SEED	1:3







SOFT AND POWDERED EXTRACTS

1		
2	DESCRIPTION	DRUG STRENGTH
3	TAMARINDS	F
4	THYME COMPOUND	1:4
5	THYME LEAVES	1:4
6	TRIFOLIUM COMPOUND	1:4
7	TWIN LEAF	1:4
8		
9	UVA URSI LEAVES	1:3
10	VALERIAN ROOT	1:4
11	VIBURNUM OPULUS BARK	1:4
12	VERATRUM VIRIDE	1:4
13		
14	WAHOO BARK OF ROOT	1:4
15	WATER CRESS	1:4
16	WHITE PINE BARK	1:4
17	WHITE PINE COMPOUND	1:4
18	WHITE WILLOW BARK	1:4
19	WILD CHERRY BARK	1:4
20	WILD INDIGO ROOT	1:4
21	WILD LETTUCE LEAVES	1:4
22	WILD THYME	1:4
23	WILD YAM ROOT	1:4
24	WITCH HAZEL BARK	1:4
25	WITCH HAZEL LEAVES	1:4
26	WORMWOOD	F
27	YELLOW DOCK ROOT	1:4
28	YERBA SANTA HERB	1:4
29	YOHIMBE BARK	1:4
30		

SOFT AND POWDERY EXHAUST





PRODUCTS OF ANIMAL ORIGIN

DESCRIPTION	DRUG STRENGTH
DIASTASE (PANCREATIC POWDER)	1:50
DUDDENUM POWDER	1:6
HOG STOMACH POWDER (VACUUM DRIED)	1:6
MAMMARY SUBSTANCE POWDER	1:8
ORCHIC POWDER	1:7
OVARY WHOLE GLAND POWDER N.F.	1:6
PANCREAS SUBSTANCE POWDER	1:6
PANCREATIN POWDER	N.F.
PANCREATIN POWDER 2 N.F.	
PANCREATIN POWDER 3 N.F.	
PANCREATIN POWDER 4 N.F.	
PEPTONE MEAT POWDER	
PITUITARY POSTERIOR LOBE POWDER U.S.P.	
PITUITARY POSTERIOR LOBE EXT. 10 I.U. PER CC. (OBST.)	
PITUITARY POSTERIOR LOBE EXT. 20 I.U. PER CC. (SURG.)	
RED BONE MARROW GLYCERINE EXT.	
SPLEEN POWDER	1:5
THYMUS POWDER N.F.	1:6
THYROID POWDER 0.2% OSD/USP	
TRYPSIN (1:75 PROTEOLYTIC ACTIVITY)	
ALKALOIDS AND GLUCOSIDES	
ALOIN	N.F.
RESERPINE 1% TRITURATE	
RUTIN	N.F.
RESERPINE PURE CRYSTALLINE	
RESERPINE 10% TRITURATE	





BILE SALTS AND DERIVATIVES

DESCRIPTION	DRUG STRENGTH
HOG GALL & OX GALL 50% MIX. POWDER	
EXTRACT OF HOG GALL	
EXTRACT OF OX GALL POWDER N.F.	
OX GALL DESICCATED POWDER	
HOG GALL DESICCATED POWDER	
EXTRACT OF OX GALL GRANULAR N.F.	

LIVER EXTRACTS

LIVER DESICCATED POWDER	N.F.
LIVER FRACTION 1 WATER SOLUBLE PASTE 70% ALCOHOL SOL. FRACTION	N.F.
LIVER CONCENTRATE POWDER	N.F.
LIVER FRACTION 11 POWDER 70% ALCOHOL INSOLUBLE FRACTION	N.F.

MISCELLANEOUS

BONE MEAL POWDER PHARMACEUTICAL	
CAPSICUM POWDER	
PAPAIN POWDERED, EAST AFRICAN	
CAPE ALOES POWDER	
ERGOT GROUND AND DEFATTED	B.P.
FLUID EXTRACT IPECAC ROOT	U.S.P.

CONCENTRATIONS

BLACK COHOSH (CIMICIFUGIN)	1:6
LEPTANDRIN	1:6

RESINS

APIOL GREEN OLEORESIN	B.P.C.
CAPSICUM OLEORESIN	N.F.
PODOPHYLLIN EX EMODI	B.P.
BLACK PEPPER OLEORESIN	
JALAP RESIN	N.F.





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1 RESINS

2 DESCRIPTION DRUG STRENGTH

3 SCAMMONY RESIN POWDER N.F.

4 CHEMICALS

5 ACETAMINOPHEN (N-ACETYL PARA AMINOPHENOL)

6 ADRENOCHROME SEMICARBAZONE

7 DIHYDROXYPROPYL THEOPHYLLINE

8 GLYCERYL GUAIACOLATE (GLYCERYL GUAIACOL ETHER)

9 ETHYL NICOTINATE

10 N-HEXYL NICOTINATE

11 METHYL NICOTINATE

12 OXYETHYLTHEOPHYLLINE

13 PIPERAZINE HEXAHYDRATE

14 PROMAZINE HYDROCHLORIDE

15 SALICYLAMIDE POWDER

16 SALICYLAMIDE GRANULAR

17 STILBOESTROL B.P.

18 TERPIN HYDRATE POWDER N.F.

19 ANTIBIOTICS

20 BACITRACIN U.S.P.

21 BACITRACIN U.S.P. MICRONIZED

22 BACITRACIN ZINC

23 BACITRACIN ZINC MICRONIZED

24 BACITRACIN METHYLENE DISALICYLATE VETERINARY GRADE

25 GRAMICIDIN N.F.

26 NEOMYCIN PALMITATE

27 NEOMYCIN SULPHATE U.S.P.

28 NEOMYCIN SULPHATE U.S.P. MICRONIZED

29 NEOMYCIN SULPHATE NOT U.S.P. (COMMERCIAL OR  
30 VETERINARY GRADE)



INVESTIGATION OF THE

PROGRESS OF THE

RESEARCH WORK

AND THE

RESULTS OF THE

STUDY

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AND THE

RESULTS





ANTIBIOTICS

NEOMYCIN SULPHATE NOT U.S.P. (COMMERCIAL OR  
VETERINARY GRADE) MICRONIZED

TYROCIDINE HYDROCHLORIDE

TYROTHRICIN N.F.

TYROTHRICIN N.F. DEFATTED

This, Mr. Chairman, I think is all I have  
to say about our company.

THE ACTING CHAIRMAN: Thank you very much,  
Mr. Dentay. Would you care to answer some questions,  
please?

MR. DENTAY: Yes.

MR. RICE: Mr. Chairman, Mr. Dentay, could  
you tell us something about the present policy of Fine  
Chemicals when they sell to the manufacturers? Is there  
a price list or do you negotiate your prices or what?

MR. DENTAY: Well in general we have a price  
list which is changed very often, because prices may  
change very rapidly, on some of our products, so that we  
send out a list which contains catalogues of the products  
and we have naturally our salesmen and there are not so  
many people, there are a few dozen companies who we have  
to visit regularly, and of course we bring any price  
changes to their attention.

MR. RICE: Does your price decrease with  
volume buying and so on?

MR. DENTAY: There are many factors to  
consider. Of course, if volume is bigger, other things  
being equal, then prices will go down.

MR. RICE: So a large purchaser from you

MEMORANDUM FOR THE SECRETARY  
SUBJECT: THE AMERICAN STATIONERY CO. LTD.

MEMORANDUM FOR THE SECRETARY

First, Mr. Chairman, I think it is all right

to say about our company.

THE AMERICAN STATIONERY CO. LTD.

Mr. Secretary, Would you care to answer some questions?

please?

MR. SECRETARY: Yes.

MR. ALGER: Mr. Secretary, Mr. Secretary, and

you tell us something about the present policy of the

company when they sell to the manufacturers? Is that

a price list or do you negotiate your prices on a

MR. ALGER: Well in general we have a list

list which is changed very often, because it is a

change very rapidly, so some of our products, so that we

send out a list which contains a list of the products

and we have naturally our relations and there are not so

many people, there are a few other companies who we have

to visit regularly, and of course we have very often

changes to their attention.

MR. ALGER: Does your price go down with

volume buying and so on?

MR. SECRETARY: There are many factors

considered. Of course, if volume is large, other things

being equal, your prices will be lower.

MR. ALGER: So a large order will



1 could buy generally at a lower price than the smaller  
2 purchaser?

3 MR. DENTAY: That could be, yes.

4 MR. RICE: And you commented that prices  
5 have changed recently. Could you tell us what would  
6 cause the prices to change?

7 MR. DENTAY: Perhaps I should say we are in  
8 three groups or categories of products, which I have  
9 mentioned, products of animal origin, products of botanical  
10 origin and synthetic organic chemicals.

11 We have found in recent years perhaps since  
12 the war the botanical and glandular prices change very  
13 slowly and very slightly, and very little up and down  
14 according to the crop, for example, in that season of pigs,  
15 and these prices go up and down perhaps with a very gentle  
16 downward slope all the time. Now with synthetic chemicals,  
17 generally they have a dramatic history. They start out  
18 with a very high price and gradually, in 8 or 10 years,  
19 they fall to a small fraction of it.

20 This is I think because of two distinct  
21 reasons. One is that we must do so much research at the  
22 beginning, and also there are other expenses, for example,  
23 spoiled batches which can happen in a new product very  
24 much more than if it is fully developed.

25 And, of course, as soon as people want to  
26 get the product, but also want to get the product cheaply,  
27 there is international competition in finding better  
28 methods. Sometimes when the product was originated  
29 it started out with 100 parts and the next year it was  
30 maybe down to only 80 parts and then 50, and then perhaps





and buy generally at a lower price than the market

price.

MR. CHITRY: That could be, yes.

MR. BART: And you compare these prices

I have changed recently. Could you tell us what would

MR. CHITRY: Perhaps I should say we are in

three kinds of categories of products, which I have

mentioned, products of animal origin, products of botanical

origin and synthetic organic chemicals.

We have found in recent years that the

the way the market and demand for these products

is slowly and very slightly, and very little up and down

according to the crop, for example, in the case of pig

and these prices go up and down perhaps with a very

downward slope all the time, but with seasonal fluctuations.

Generally they have a dramatic history. They start out

with a very high price and gradually, in 5 or 10 years,

they fall to a very low level.

This is I think because of two factors.

One is that we have to do with research in the

beginning, and also there are other expenses, for example,

special batches which are bought in a new market very

much more than it is today developed.

And, of course, we have to keep the

cost the product, but also want to get the product out of

there is international competition in farming, for

example. Sometimes when the product was originally

it started out with 100 parts and the next year it was

reduced down to only 80 parts and then 50, and then further



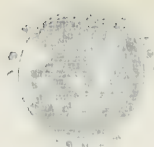
1 just one, so that there might be a tremendous change in a  
2 newly developed product as the technology of it developed.

3                   Very often you get a different type of plant.  
4 I mentioned the reserpine plant which was one of the  
5 first tranquilizing drugs and used for high blood pressure.  
6 It was first made out of an Indian plant, Rauwolfia, and  
7 later on India tried to follow a rather popular policy,  
8 I believe, of putting an embargo on this. They wanted to  
9 make it mandatory to buy it through them. Instead of that,  
10 everybody went out looking for another source and found it  
11 in the Belgian Congo where it was very much cheaper and  
12 very much better and so the price naturally will drop if  
13 you can switch.

14                   I mentioned a case of Rutin. If you extract  
15 it from buckwheat, you only get 2% of the active stuff.  
16 Then we found this plant, Japonica, from which you get 13  
17 or 14 or 15%, and that alone can lead to a dramatic price  
18 drop, and similar developments take place both in raw  
19 materials and better utilization and better yields for  
20 years and years, and the price of a new product usually  
21 drops.

22                   MR. RICE: You mention about the new  
23 companies that you have incorporated, subsidiaries of  
24 your company. It would appear that your company has also  
25 experienced an expansion of business or a rapid growth of  
26 business in the post-war era. Did you make that observa-  
27 tion?

28                   MR. DENTAY: I was hoping for a much more  
29 rapid development than the one that took place. We hope.  
30 that the future holds a further development.



1 I think one, or that there might be a tremendous change in  
 2 newly developed products as the technology is developed.  
 3 Very often you get a different type of plant.  
 4 I mentioned the remaining plant which was one of the  
 5 first manufacturing plants and used for high speed processing.  
 6 It was first made out of an industrial plant, mechanical, and  
 7 later on later found to follow a rather unique policy.  
 8 I believe, or wanting an exchange on this. They wanted to  
 9 make it necessary to buy it through some, instead of that,  
 10 everybody went out looking for another source and found it  
 11 in the Belgian Congo where it was very much ordered and  
 12 very much better and so the price naturally will drop to  
 13 you can estimate.

14 I mentioned a case of Britain. If you wanted  
 15 to from production, you would get 25 of the active stuff.  
 16 Then we found this plant, therefore, from which you get 15  
 17 or 14 or 13, and that alone can lead to a dramatic price  
 18 drop, and still a development which will be in the  
 19 materials and better utilization and better yields for  
 20 years and years, and one piece of a new process which  
 21 drops.

22 MR. RICE: You mention about the  
 23 companies that you have incorporated, subsidiaries or  
 24 your company. It would appear that your company has also  
 25 experienced an expansion of business or a rapid growth of  
 26 business in the past few years. Did you make that statement?

27 MR. DUNN: I was looking for a word more  
 28 rapid development than the one that you picked. We have





1 MR. RICE: Are there any other Canadian  
2 companies competing against you, in other words, Canadian  
3 companies manufacturing raw materials and competing with  
4 you for the manufacturers' dollar?

5 MR. DENTAY: There are a few who are of  
6 the same class in Canada, but sometimes they sell another  
7 product which is different. There is Canada Packers who  
8 have a fine chemicals division, who are also manufacturers  
9 of bulk chemicals, and Delmar Chemicals Limited in Montreal  
10 who make chemicals in bulk.

11 MR. RICE: Do you feel in the main that the  
12 most serious competition comes from outside Canada?

13 MR. DENTAY: Yes, very much so.

14 MR. RICE: Do the members of the Committee  
15 have any questions to ask Mr. Dentay?

16 THE ACTING CHAIRMAN: Mr. Lavergne? Mr.  
17 White?

18 MR. WHITE: Yes, I have two or three ques-  
19 tions, Mr. Chairman.

20 Could you tell the Committee, Mr. Dentay,  
21 what percentage of the fine chemicals consumed in Canada  
22 would be made here in Canada?

23 MR. DENTAY: Do you mean altogether, not  
24 just for our company?

25 MR. WHITE: No.

26 MR. DENTAY: At this moment I could not  
27 give a figure.

28 MR. WHITE: Would you think it might be 15%  
29 or 10% or 25%?

30 MR. DENTAY: I really just don't know. I



MR. KELLY: Are there any other companies?

1 companies competing against you in other words, Canadian

2 companies manufacturing raw materials and competing with

3 you for the manufacturing market?

MR. DUNN: There are a few who are

4 the same class in Canada, but sometimes they are smaller

5 plants which is different. There is one in the

6 have a fine chemical plant, who are also manufacturing

7 of alkali chemicals, and other chemicals located in Montreal

8 who make chemicals in bulk

MR. KELLY: Do you feel in the west that the

9 most serious competition comes from outside Canada?

MR. DUNN: Yes, very much so.

MR. KELLY: In the reports of the American

10 have any questions for Mr. Dunn?

THE CHAIRMAN: Mr. Dunn?

MR. KELLY: Yes, I have two or three questions.

First, Mr. Dunn:

Could you tell the Commission, Mr. Dunn,

21 what percentage of the fine chemicals consumed in Canada

22 would be made here in Canada?

MR. DUNN: It varies considerably, but

24 just for one example,

MR. KELLY: Yes.

MR. DUNN: At this moment I am not

27 give a figure.

MR. KELLY: Would you mind it being

29 or 10% or 15%?

MR. DUNN: I really just don't know.



1 don't think the answer I would give would be of much value.

2 MR. WHITE: It is a small fraction, though?

3 MR. DENTAY: It is still a small fraction,  
4 yes, but it is growing.

5 MR. WHITE: You mention at the bottom of  
6 page 4 that your company has taken up some of the major  
7 products in the tranquilizer line such as meprobamate.

8 MR. DENTAY: Yes.

9 MR. WHITE: And several others?

10 MR. DENTAY: Yes.

11 MR. WHITE: Do you deliver those in the  
12 finished form as consumed by the patient?

13 MR. DENTAY: No, we deliver in bulk and it is  
14 made up by our customers into tablets or suppositories.  
15 We mentioned in smaller companies usually we manufacture  
16 ampoules where it is closer to the finished form, but it  
17 is not really the finished form because they have to label  
18 it and box it, and add their instructions for use to it.

19 MR. WHITE: Let us take meprobamate. Would  
20 you provide that in drums?

21 MR. DENTAY: Yes.

22 MR. WHITE: Is this a powder when it leaves  
23 your plant?

24 MR. DENTAY: Yes it is.

25 MR. WHITE: When it gets to the pharmaceuti-  
26 cal manufacturing company, do they process it further or  
27 do they simply package it?

28 MR. DENTAY: Well, they have to make a tablet  
29 out of a powder so it is quite a bit of processing and  
30 sometimes a coated tablet may be an even more involved





Don't think the answer I would give would be of much value.

MR. WHITE: It is a small fraction, though.

Yes, but it is growing.

MR. WHITE: You mention as the subject of

page 4 that your company has taken up some of the major

products in the transportation line such as refrigerators

MR. DENTON: Yes.

MR. WHITE: And general repairs.

MR. WHITE: Is your delivery time in the

finished form is concerned in the picture?

MR. DENTON: No, we deliver in bulk and it is

made up by our customers into picture as required.

It mentioned in earlier companies usually we have made

engines where it is closer to the finished form, but it

is not really the finished form because they have no idea

it and box it, and send it in instructions for use to it.

MR. WHITE: But we have no instructions, do we?

You provide that to them?

MR. DENTON: Yes.

MR. WHITE: Is that a matter with it being

your plant?

MR. DENTON: Yes it is.

MR. WHITE: When it goes to the printer?

Yes, and sometimes it is done at a printer's.

It is very simple business.

MR. DENTON: Well, they have to be.

But if a customer is it done a lot of business.

Sometimes a colored label may be on each one.



1 operation.

2 MR. WHITE: But this is a physical thing,  
3 it is not a chemical change?

4 MR. DENTAY: Yes. Mostly we deliver it in  
5 final chemical form. Perhaps there might be here and  
6 there an exception where we supply an intermediate that  
7 is finished off by the customer, but that would be rather  
8 an exception, I believe.

9 MR. WHITE: Would you ever provide this  
10 drug, meprobamate, in pill form?

11 MR. DENTAY: No, we would not. We don't  
12 even possess a tableting machine. We would not be able  
13 to.

14 MR. WHITE: Would you mind me asking what  
15 the price is per pound, or is it sold by one-hundred pounds?

16 MR. DENTAY: A pound or kilo.

17 MR. WHITE: What is the price per pound of  
18 meprobamate to the pharmaceutical manufacturer?

19 MR. DENTAY: Expressing it in pounds, perhaps  
20 \$2.60. I may be out a few cents.

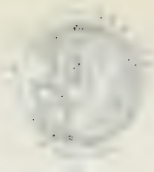
21 MR. BRYDEN: How many tablets would a pound  
22 make?

23 MR. DENTAY: A kilo will make 2,000, so  
24 just about a thousand.

25 MR. BRYDEN: A pound makes about a thousand  
26 tablets?

27 MR. DENTAY: I am saying that a kilo makes  
28 about 2,000, yes, close to that.

29 MR. WHITE: May I ask what percentage of  
30 your company is now foreign-owned?



MR. WHITTY: But this is a different thing.

It is not a chemical change.

MR. DENTON: Yes, because as defined in the

final chemical form, perhaps there might be some

there an exception where we supply an intermediate that

is finished off by the customer, but that would be rather

an exception, I believe.

MR. WHITTY: Would you ever practice that?

drug, neoprene, in pill form?

MR. DENTON: No, we would not, we don't

even practice a tabling machine. We would not be able

to.

MR. WHITTY: Would you mind me asking what

the price is per pound, or is it sold by the hundred pounds?

MR. DENTON: A pound or more.

MR. WHITTY: What is the price per pound of

neoprene to the pharmaceutical manufacturers?

MR. DENTON: Depending on the grade, from

\$1.00 to \$1.50. I say to you a few cents.

MR. WHITTY: How many factors would a pound

weigh?

MR. DENTON: A kilo will make 2,200, or

just about a thousand.

MR. WHITTY: A pound makes about a thousand

tablets?

MR. DENTON: A one having great a kilo makes

MR. WHITTY: May I ask what percentage of





1 MR. DENTAY: I beg your pardon?

2 MR. WHITE: What percentage of your company  
3 is now owned by foreign interests?

4 MR. DENTAY: The large majority anyway, I  
5 think, but I could not say definitely, but it has definitely  
6 the controlling interest.

7 MR. WHITE: Is Jules Gilbert a customer of  
8 your company?

9 MR. DENTAY: I think so in certain products.  
10 I think we have supplied him. Not very large sums are  
11 involved, though.

12 MR. WHITE: Has any attempt ever been made  
13 to discourage you from selling to Jules Gilbert or any  
14 other pharmaceutical manufacturer?

15 MR. DENTAY: No.

16 MR. WHITE: I think you mentioned solutions  
17 and rectal suppositories and a couple of other products  
18 are sold by you in the same form they are used by the  
19 consumer. Am I correct?

20 MR. DENTAY: Yes.

21 MR. WHITE: And they are packaged under the  
22 customer's label?

23 MR. DENTAY: Well, the customer would do  
24 the packaging. The word "packaging" is misleading. When  
25 we put that into the little bottles, we can call that  
26 packaging. We prepare the ultimate dosage form, but they  
27 do the packaging.

28

29

30



MR. DAY: I see your point.

MR. WHITE: What percentage of your company

is now owned by foreign interests?

MR. DAY: The large majority, I

think, but I could not say definitely, but I am confident

the controlling interest.

MR. WHITE: Is there about a quarter of

MR. DAY: I think so in certain products.

I think we have sufficient data for very large sums and

invested, though.

MR. WHITE: How and where have you been

to disburse your funds from within the United States or any

other country?

MR. DAY: Not

MR. WHITE: I think you mentioned something

and several subsidiaries and a number of other projects.

are sold by you in the same form that was used by the

company, am I correct?

MR. DAY: Yes.

MR. WHITE: And they are packaged under the

company's name?

MR. DAY: Well, the company would be

the packaging. The word "packaging" is misleading. When

we put that into the little boxes, we are not doing

packaging. We prepare the material in large forms, but they

do the packaging.

18

19

20



c/hm

1 MR. WHITE: And would you know from your  
2 experience how the cost of that vial as sold to the  
3 pharmaceutical company compares to the cost on the druggist's  
4 shelf? Would it be 10%, 20% or 30%?

5 MR. DENTAY: Well, I could not say. I  
6 think that the individual cases might differ tremendously  
7 because they have their expenses of promotion and sampling  
8 and advertising and even packaging is so different so in  
9 one instance it may be smaller and in another instance it  
10 may be much larger and probably very different for a product  
11 that is regularly running and has been in use for the last  
12 twenty years. There may not be as much expenditure on  
13 something like that compared to a new product.

14 MR. WHITE: Do you in some cases supply that  
15 vial with a label on it all ready to go to the drug store?

16 MR. DENTAY: With a label on it all ready  
17 to go, but the pharmaceutical man has to decide.

18 MR. WHITE: The solutions in the vials and  
19 the labels on the vials, are they packaged in cardboard  
20 boxes or something like that?

21 MR. DENTAY: No, they would go in bulk.

22 MR. WHITE: They would be shipped in bulk  
23 to the pharmaceutical manufacturer and he would put them  
24 in boxes of a dozen or one hundred?

25 MR. DENTAY: Yes.

26 MR. WHITE: Could you give us an example of  
27 a product you sell like that?

28 MR. DENTAY: Let us say the most important  
29 one is the vitamin injections, maybe four or five vitamins  
30 and it is a very difficult thing and unstable. We take it





MR. WHITE: And would you know from your

experience how the cost of that vital is sold to the

pharmaceutical company compares to the cost on the drugstore?

Shelly: Would it be 10%, 20% or 30%?

MR. DENTON: Well, I would not say. I

think that the individual cases might differ tremendously

because they have great expenses of promotion and advertising

and advertising and even packaging is no different as in

one instance it may be smaller and in another instance it

may be larger, and I think that is the reason.

That is regularly running and has been in use for the last

twenty years. There may not be as much experience on

something like that compared to a new product.

MR. WHITE: So you think it is a fair

vital with a label on it all ready to go to the drugstore?

MR. DENTON: With a label on it all ready

to go, but the pharmaceutical man has to market it.

MR. WHITE: The solution in the bottle and

the labels on the vials, are they prepared in cardboard

boxes or something like that?

MR. DENTON: No, they would go in bulk.

MR. WHITE: They would be shipped in bulk

to the pharmaceutical manufacturer and he would bottle

in boxes of a dozen or one hundred?

MR. DENTON: Yes.

MR. WHITE: Could you give us an example of

a product you sell like that?

MR. DENTON: Let us say the most famous one

one is the vitamin injections, maybe I am not sure.

and it is a very difficult thing and variable. We have



1 we do not expose it to any heat but freeze it to ice and  
2 that is evaporated and the cold and heat a little soluble  
3 product remains at the end so the doctor has to inject a  
4 little water in the syringe and put in the whole thing.

5 MR. WHITE: You likely supply hundreds of  
6 these different types of vials to a number of different  
7 pharmaceutical manufacturers but there must be several  
8 that are large in volume and I am wondering if you could  
9 not take one of the most important examples of these  
10 products that you supply.

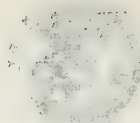
11 MR. DENTAY: I just wonder if I could answer  
12 that without hurting the confidence that these companies  
13 place with us. I do not think they would like us to say.

14 MR. WHITE: What I am interested in finding  
15 out and I think you know the answer is if you supplied a  
16 vial of chemical X with a label then really that is the  
17 same form in which it is going to be used by the patient?

18 MR. DENTAY: Yes, probably.

19 MR. WHITE: You undoubtedly know a great  
20 many of the products which you supply in this vein and  
21 you have undoubtedly seen some of them on the druggists'  
22 shelves because you go into the drug stores and you are a  
23 chemist and you see your own products. I am very interested  
24 to know if the price being charged by the retailer is ten  
25 times or twenty times or fifty times your selling price.  
26 I rather think you know the answer to that and if you do  
27 I would like to hear it.

28 MR. DENTAY: Well, you are through a whole  
29 gamut of pricing. I think in some instances on a competitive  
30 product it may be quite low and I think you have heard in



we do not expect it to any less than it is to be the same  
 that is expected and the whole and part a little soluble  
 product, which at the end of the day has to be a  
 little more in the average and less in the whole thing.  
 Mr. White: You likely supply hundreds of  
 these different types of things to a number of different  
 customers for different uses and these are the same  
 that are being used in the same way as you said  
 that they are of the same material, examples of these  
 products are your supply.

Mr. White: I just wonder if I could have a  
 sheet without having the conditions that these companies  
 have with me. I am not sure that they would like us to say  
 that we are in a way, I am interested in that.  
 And I think you know the answer to it and supplied a  
 list of chemical X with a label that reads that in the  
 same form in which it is going to be used by the police.

Mr. White: Yes, possibly.  
 Mr. White: You occasionally know a great  
 many of the products which you supply in this way, and  
 you have undoubtedly seen some of them on the shelves  
 of stores because you go into the drug stores and you see a  
 product and you see your own product. I am sure you have  
 a know of the whole thing and you are the supplier in the  
 times of every time of day that you are selling it.  
 I never think you have any reason to say that it is not  
 I would like to hear it.

Mr. White: Well, you are a very good  
 person of product. I think it is an instance of a product  
 produced in a very low and I think you have heard it





1 the course of these hearings what is approximately the  
2 margin but you cannot go just by that alone. As I men-  
3 tioned a minute ago, it is very difficult. I suppose I  
4 would have to look this up in order to answer this  
5 question.

6 MR. WHITE: Could you give us an approximate  
7 range then? Are your products being sold from ten times  
8 to fifty times the price you put on them?

9 MR. DENTAY: I do not think so, I think  
10 likely it is much less. After all, you are dealing  
11 usually with small firms because the larger firms have  
12 their own departments and with a few exceptions we would  
13 be dealing with the small, medium to small firms. Now,  
14 those I think make a regular mark-up, I should say an  
15 average, emphasizing sufficiently that I do not know, but  
16 as a wild guess two and a half times. If it costs 40 cents  
17 it may be sold at \$1.00.

18 MR. BRYDEN: This would be on a product which  
19 when it leaves your premises is ready for use except for  
20 such packaging as may be necessary?

21 MR. DENTAY: Yes, and, of course, there is  
22 very much further work that goes on which fortunately I  
23 do not have to look after. That is finding out the toxicity  
24 and getting permission from the Health Department if it  
25 is a new product and looking into the stability on the  
26 shelves. All that may entail very considerable work.  
27 The raw material very often accounts for very little, such  
28 products in a little glass bottle which would cost more  
29 than what we put into it -- the packaging material may  
30 cost more than the chemical ingredient.



the course of which we have the 12 approximately the  
 month but you would be just as well. At 11 men-  
 12 tions a minute and it is very difficult. I suppose I  
 13 would not be able to go in order to make this

14 Mr. White: Could you give me an approximate

15 range here? The year probably being held from the first  
 16 to fifth times the price has not been

17 Mr. Bennett: I am not sure, but I think

18 likely to be much less, but all you have to do is

19 usually with small time periods for large or very

20 small own operations and with a few exceptions in 1931

21 or less, after the same kind of work, I think

22 where I think a very high amount, I think of an

23 average, considering sufficiently that I do not know, but

24 as a whole, I think it is a very small amount, but

25 it may be said it is \$1.00.

26 Mr. Bennett: This would be at a normal price

27 when it leaves your hands is ready for use and it

28 would be a very small amount, but

29 Mr. Bennett: You would not be able to

30 say a very small amount with a 12 month period?

31 Mr. Bennett: I think it is a very small amount, but

32 and getting a percentage from the 12 month period is

33 is a very small amount and looking at it from the point of view

34 The new material, you, often mention it, very much

35 points to a little glass bottle which you can use

36 when you are not in the packaging material, but



1 MR. WHITE: Well, I will leave this line of  
2 questioning but it seems to me that that two and a half  
3 times would be -- I think that is much too low when you  
4 consider that the retail price is approximately double the  
5 wholesaler's cost from the manufacturer I would think it  
6 would have to be at least four times.

7 MR. DENTAY: What I was speaking of at what  
8 price it would be sold to the wholesaler.

9 MR. WHITE: I beg your pardon?

10 MR. DENTAY: I did not mean the price to  
11 the public so those two things would tally quite well.

12 MR. WHITE: Those are all the questions I  
13 have.

14 MR. BRYDEN: Could you tell us, Mr. Dentay,  
15 the firms to which you supply the product Meproamate or  
16 however you pronounce it.

17 MR. DENTAY: It is just like schedule and  
18 schedule.

19 MR. BRYDEN: It is a matter of personal  
20 preference?

21 MR. DENTAY: Yes, in the States they pronounce  
22 it differently to what we call it in Canada but it is the  
23 same thing.

24 MR. BRYDEN: Whatever it is called, what are  
25 the firms to which you supply this drug in bulk form?

26 MR. DENTAY: We have been licensed by the  
27 Carter Company and they have other licensees to whom they  
28 sell.

29 MR. BRYDEN: Well, the Carter Company is the  
30 company which produces the product known as Miltown?







1 MR. DENTAY: Yes, but they manufacture the  
2 chemical too.

3 MR. BRYDEN: They discovered the chemical  
4 and market it under the name of Miltown?

5 MR. DENTAY: Yes.

6 MR. BRYDEN: Does their agent in Canada on  
7 this drug obtain its Meproamate from you?

8 MR. DENTAY: Yes.

9 MR. BRYDEN: Does the Gilbert Company?

10 MR. DENTAY: No.

11 MR. BRYDEN: Does Wyeth?

12 MR. DENTAY: Yes.

13 MR. BRYDEN: The firm which you described  
14 as Intra Medical Products Limited which is a subsidiary  
15 of your company?

16 MR. DENTAY: They buy from us.

17 MR. BRYDEN: And they market it under the  
18 name of Tranquiline?

19 MR. DENTAY: Yes.

20 MR. BRYDEN: And as far as the raw material  
21 is concerned it is the same drug that goes into all three  
22 of those items?

23 MR. DENTAY: Yes, there may be some niceties  
24 which are chemically very unimportant but financially quite  
25 important. The crystalline structure of the material,  
26 whether a certain fine crystalline powder or some grosser  
27 grain. The tablet they press out of it should dissolve  
28 quickly enough for you to swallow it and should be very  
29 readily disintegrated. On the other hand, it should not  
30 break while it is in your hand or in the bottle. It has







1 been a long, long fight and we have had many troubles in  
2 overcoming this difficulty to have it just in the right  
3 shape to make it easy for the tablet to remain a tablet.

4 MR. BRYDEN: Well, you supply it then to  
5 the three manufacturers I have mentioned in the same form  
6 which is designed to make it easy to put in tablet form?

7 MR. DENTAY: Well, the last time I saw it  
8 it was in a state of flux, it was not quite sure where  
9 they found it. Every company has different tableting  
10 machines and probably also their experience, the technical  
11 work they have done, one element will swear by one and  
12 another by another one. We would like to make it uniform,  
13 naturally, because it causes less trouble to us.

14 MR. BRYDEN: But you supply it as best you  
15 can to suit their different processes?

16 MR. DENTAY: Yes, we do.

17 MR. BRYDEN: As far as the product Tranquiline  
18 is concerned put out by your subsidiary, do you consider  
19 that you have a satisfactory tablet in process in the  
20 manufacture of that product?

21 MR. DENTAY: Yes.

22 MR. BRYDEN: How does your price to the  
23 wholesaler, the price of your subsidiary compare to the  
24 product as say with the price for Miltown? Have you the  
25 information on that?

26 MR. DENTAY: I really do not know what  
27 Miltown sells at.

28 MR. BRYDEN: What does your product sell  
29 at?

30 MR. DENTAY: I am afraid I do not even know





1 that, but probably the same. It is probably somewhere  
2 near, but I do not know. I would be very glad to get  
3 that for the Committee and it is very easy. I was just  
4 not prepared for the question. It should not cause any  
5 difficulty to ascertain what the selling price today is  
6 and I can tell you what is approximately the price for it.

7 MR. BRYDEN: Well, could you say it is a  
8 matter of policy, is it the aim of the Intra firm to sell  
9 at the same price as the others or at a lower price?

10 MR. DENTAY: Well, in lots of instances I  
11 suppose a smaller company who cannot afford to spend so  
12 much on advertising will try to make a price concession  
13 but at this moment Tranquiline sells lower than Miltown,  
14 I really do not know.

15 MR. BRYDEN: Are there any other manufacturers  
16 in Canada to whom you supply significant quantities of  
17 Meprobamate?

18 MR. DENTAY: No. Well, the American company  
19 but they do not use very much on the American side.

20 MR. BRYDEN: And do they market the drug  
21 as such or do they just buy it to combine with other drugs?

22 MR. DENTAY: They buy it only to combine.

23 MR. BRYDEN: Who do you provide with  
24 Promazine and Chlorpromazine in this country?

25 MR. DENTAY: We have perhaps a dozen cus-  
26 tomers for Promazine and for Chlorpromazine we are only  
27 licensed to sell to the patent owner himself.

28

29

30







1 MR. BRYDEN: That is Poulenc Ltee?

2 MR. DENTAY: Yes.

3 MR. BRYDEN: They purchase from you, do they?

4 MR. DENTAY: Yes.

5 MR. BRYDEN: Do you know what percentage of  
6 their supply of that drug for use in Canada they get from  
7 you?

8 MR. DENTAY: I have been asked this very  
9 often.

10 MR. BRYDEN: You would like to know.

11 MR. DENTAY: They wouldn't be asking very  
12 often if they knew the answer.

13 MR. BRYDEN: Can you tell me the prices you  
14 charge for that drug?

15 MR. DENTAY: I just wonder whether I am  
16 really on proper ground if I answer questions like this  
17 without consulting with Poulenc's?

18 MR. BRYDEN: I would be very interested in  
19 finding out. I don't wish to embarrass you, sir. I  
20 certainly wouldn't want to harm you in relation to  
21 competitors, but I would certainly be interested in knowing  
22 what prices they pay you and then after allowing for all  
23 the factors that go into it what price they sell the  
24 finished product to our institutions.

25 THE ACTING CHAIRMAN: I think it would be  
26 fairer to get the price from the company that is  
27 manufacturing.

28 MR. BRYDEN: That is a company we as a  
29 Committee can't get at, because they are located in the  
30 Province of Quebec and their head ....







1 MR. LAVERGNE: Quebec is in Canada.

2 MR. BRYDEN: Our subpoenas are not applicable  
3 there.

4 MR. DENTAY: Could I file that as confidential  
5 information?

6 THE ACTING CHAIRMAN: I think that would be  
7 best.

8 MR. RICE: I was going to suggest if Mr.  
9 Dentay prefers to file that as confidential with the  
10 secretary it will be available for the Committee to peruse.  
11 It won't be for the general public. Also, Mr. Dentay,  
12 have you a price list?

13 MR. DENTAY: No, I have no price list.

14 MR. RICE: Your company .....

15 MR. DENTAY: I have this catalogue. I try  
16 to explain, this extract for instance, that may change  
17 from one day to the other. I may have to correct the  
18 whole thing.

19 MR. RICE: You have no established price  
20 list?

21 MR. DENTAY: No, it is not practical.

22 MR. BRYDEN: At the same time you file on a  
23 confidential basis the information about Promazine and  
24 Chlorpromazine can you also file such information confi-  
25 dentially on the products that Mr. White was enquiring  
26 about, some of these products that you supply .....

27 MR. DENTAY: In finished form.

28 MR. BRYDEN: In almost finished form. As  
29 far as Promazine is concerned what is the trade name of that  
30 product, that that goes into when it goes onto the market,

W. L. LITTLE, known as in London.

STATE: for purposes are not specified.

ALL RIGHTS: under a title that is confidential.

information.

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1 Largactil?

2 MR. DENTAY: Largactil is chlorpromazine.

3 MR. BRYDEN: I take it you don't supply  
4 chlorpromazine to this company?

5 MR. DENTAY: Not very much, no, not very  
6 large quantities.

7 MR. BRYDEN: You do supply some?

8 MR. DENTAY: Yes.

9 MR. BRYDEN: What does promazine go into,  
10 what is the trade name for that, Sparine?

11 MR. DENTAY: Sparine.

12 MR. BRYDEN: What companies get Reserpine  
13 from you?

14 MR. DENTAY: Very, very many, usually in  
15 small quantities. I would say we must have at least a  
16 dozen, perhaps considerably more consumers for Reserpine  
17 in Canada. The quantities are usually very, very small.

18 MR. BRYDEN: Does that mean there are more  
19 competitors in the supply of that drug than in the supply  
20 of the other in this country?

21 MR. DENTAY: Yes, it has become a very  
22 competitive drug. It has dropped in price something  
23 fantastic, around 80%.

24 MR. BRYDEN: What has happened to promazine  
25 and chlorpromazine at the hospital level, shall we say,  
26 has the price gone down substantially on that?

27 MR. DENTAY: You see I never get really  
28 interested in the hospital level.

29 MR. BRYDEN: Because you never deal with  
30 them?







1 MR. DENTAY: No, of course I read it as an  
2 interested layman.

3 MR. BRYDEN: Do you supply promazine and/or  
4 chlorpromazine to any generic houses or do you just supply  
5 it to the patent holders?

6 MR. DENTAY: Promazine, I suppose we do  
7 supply to everybody simply because we managed to get our  
8 price below the importers' price. Once somebody doesn't  
9 think patents are binding then he will import it irrespective  
10 whether it is said to infringe the patent or not and there  
11 is no point for us even to try if we know he can get it  
12 cheaper than our cost. It is not our unwillingness, it  
13 is not practical. If somebody insists on buying only  
14 licensed material they might have to pay a higher price  
15 on account of the higher tax. Promazine isn't one of  
16 these.

17 MR. BRYDEN: You would supply that to any  
18 firm that could make a deal with you, would you?

19 MR. DENTAY: Yes.

20 MR. BRYDEN: Can you name some of the generic  
21 houses that purchase from you?

22 MR. DENTAY: I think Empire is one. I don't  
23 know the firms very well. I think Empire Chemicals and,  
24 of course, Mr. Gilbert.

25 MR. BRYDEN: Does Mr. Gilbert purchase that  
26 particular drug from you?

27 MR. DENTAY: What, promazine?

28 MR. BRYDEN: Yes.

29 MR. DENTAY: I don't know. I will jot these  
30 questions down.







1 MR. BRYDEN: They will be put in the record  
2 anyway. I am rather interested if it is possible for you  
3 to give us the answer, in receiving it. On page 8 you  
4 make some reference to the question of tariff. You  
5 mention all pharmaceuticals not manufactured in Canada come  
6 free of duty from Britain and pay 15% duty as originating  
7 in a Most Favoured Nation. Do you know offhand what the  
8 duty is for products originating not in Great Britain or  
9 a Most Favoured Nation?

10 MR. DENTAY: Maybe 25%.

11 MR. BRYDEN: And the second category, Made  
12 in Canada, what would the duty be?

13 MR. DENTAY: Where?

14 MR. BRYDEN: When made in Canada?

15 MR. DENTAY: I think still 25%.

16 MR. BRYDEN: 25% in either case. Would that  
17 include imports from Italy?

18 MR. DENTAY: Yes, Most Favoured Nation.  
19 They are a Most Favoured Nation.

20 MR. BRYDEN: Italy is a most favoured nation?

21 MR. DENTAY: Yes, so they be the same as  
22 the United States or Germany.

23 MR. BRYDEN: What are some of the countries  
24 that wouldn't be favoured nations, or are there any  
25 significant suppliers in that category?

26 MR. DENTAY: I am trying to think. I don't  
27 think any one of the large industrial nations in the west.

28 MR. BRYDEN: You mentioned one of your  
29 difficulties in competition is wage cost along with other  
30 matters. How big an item are wage costs in the manufacture



They will be put in the record

anyway. I am rather interested in it as possibly for you

to give us the answer, in receiving it, on some 2 yr

make some reference to the question of quality. You

mention all this material is not mentioned in the same way

times of duty from Britain and pay 18% duty as originating

in a West for other material. The first show which was the

duty is for products originating not in Great Britain or

a most favoured nation?

MR. TREVITT: I have not.

MR. TREVITT: And the second category, which

is similar, what would the duty be?

MR. TREVITT: When was it given?

MR. TREVITT: I don't recall it.

MR. TREVITT: Right in either case. Would you

indicate whether from Italy

They are a most favoured nation

MR. TREVITT: I have a note regarding this

MR. TREVITT: I don't recall it.

the United States or Germany.

MR. TREVITT: Yes, the same in the countries

that you are to have and others, in the same way

eliminate and supply for that category

MR. TREVITT: I am trying to think of it.

I think any one of the large industrial nations in the world

MR. TREVITT: You mentioned one of your

difficulties in competition is wage cost along with

materials, how big an item are wage costs in the manufacturing



1 of bulk chemicals such as you produce?

2 MR. DENTAY: How much the wage factor --?

3 MR. BRYDEN: What proportion of cost would  
4 that be?

5 MR. DENTAY: Well, of course, if you mean  
6 by wage, hourly workers, it may be perhaps -- again it is  
7 a very broad line, but let us say around 20% as the direct  
8 labour. You have all kinds of labour, not direct labour,  
9 but after all the level at which we pay our chemists, we  
10 pay our engineers, our office staff -- we don't have to --  
11 lots of raw materials already contain the wage factor in  
12 themselves so on the whole it is very, very important.  
13 Just direct wages may be 20 or 25%. If you count indirect  
14 wages and salaries then it would be more than the double  
15 of that, rather like 60 or 70%.

16 MR. BRYDEN: I suppose in your operation the  
17 salaries of technical personnel would be a relatively  
18 large item?

19 MR. DENTAY: Yes, of course all our research  
20 activities, the same thing goes, chemistry is there, the  
21 woman that washes the bottles. That would be considerably  
22 less in Germany or Japan.

23 MR. BRYDEN: I think that is all.

24 THE ACTING CHAIRMAN: Any other questions?  
25 Mr. Rice, do you have anything further?

26 MR. RICE: No.

27 THE ACTING CHAIRMAN: Thank you very much.

28 MR. DENTAY: I should submit this later.

29 MR. RICE: You can file it with the  
30 secretary, please.





of this character as you suggested?

MR. LITTON: Yes, that was the question --

MR. LITTON: When questioned as to the

fact --

MR. LITTON: Well, of course, if you have

the same, having worked, it may be perhaps -- again, in the

very broad sense, but for an experienced man, the first

impression. You have all kinds of other, not at all

and after all the level of the work, and the

pay for engineers, the other side -- we don't have to

lose of the whole thing, which is the whole thing

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1 THE ACTING CHAIRMAN: The meeting will be  
2 adjourned until two o'clock tomorrow afternoon.

3 MR. BRYDEN: May I ask, Mr. Chairman, what  
4 will be coming up tomorrow?

5 MR. RICE: Tomorrow afternoon we have  
6 arranged for Mr. Legge of the Drug Trading Company and also  
7 for Mr. Wright of the National Drug Company to make  
8 submissionsto the Committee on the wholesale level.

9  
10 ---Whereupon the hearing adjourned until 2:00 p.m.

11 Wednesday, November 15th, 1961.  
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THE ACTING CHAIRMAN: The meeting will be

adjourned until two o'clock tomorrow afternoon.

MR. BRYAN: May I say, Mr. Chairman, what

will be coming up tomorrow?

MR. BRYAN: Tomorrow afternoon we have

arranged for the report of the Drug Trading Committee and also

for Mr. Wright of the National Drug Control Council.

adjourned to the Committee on the Judiciary for

...Whereupon the meeting adjourned until 2:00 p.m.

...Whereupon the meeting adjourned until 2:00 p.m.







*REPORT OF THE SELECT COMMITTEE ON DRUGS  
TO THE HOUSE OF COMMONS  
IN 1961*

# Select Committee on Drugs

## HEARINGS

HELD AT  
PARLIAMENT BUILDINGS  
TORONTO ONTARIO

VOLUME No.:

**30**

DATE:

**NOVEMBER 15 1961**

OFFICIAL REPORTERS  
ANGUS, STONEHOUSE & CO. LTD.  
BOARD OF TRADE BLDG.  
11 ADELAIDE ST. W.  
TORONTO

364-5865

364-7383







SELECT COMMITTEE ON DRUGS

Proceedings of hearings  
held at Parliament Buildings,  
Toronto, Ontario, on Wednesday,  
November 15th, 1961 at 2:10  
p.m.

COMMITTEE:

MR. H. C. ROWNTREE, Q.C. -- Chairman

-----

MR. J.A. FULLERTON -- Acting Chairman

MR. J. TROTTER

MR. R.E. SUTTON

MR. R.J. BOYER

MR. N. WHITNEY

MR. H.J. PRICE

MR. K. BRYDEN

MR. J. WHITE

MR. G.F. LAVERGNE

-----

MR. S.J. GADSBY, F.C.I.S., Secretary

MR. HAROLD A. RICE -- Committee Counsel

MR. W.J. AYERS, C.A. -- Accounting  
Consultant to the  
Committee







1 ---On resuming at 2:10 p.m.

2  
3 THE ACTING CHAIRMAN: Gentlemen, we will  
4 call the meeting to order. Mr. D.E. Wright, Manager,  
5 National Drug and Chemical Company of Canada Limited. Mr.  
6 Wright.

7 MR. WRIGHT: Mr. Chairman, members and  
8 gentlemen, my name is David E. Wright. I am manager of  
9 the National Drug and Chemical Company of Canada Limited,  
10 Toronto Branch. I have prepared a brief here which I  
11 would like to read, if permissible, and then of course  
12 answer any questions that you may ask.

13 SUBMISSION OF

14 NATIONAL DRUG AND CHEMICAL COMPANY OF  
15 CANADA LIMITED

16 APPEARANCE: Mr. D.E. Wright.

17 HISTORY OF NATIONAL DRUG AND CHEMICAL COMPANY OF CANADA  
18 LIMITED.

19 National Drug and Chemical Company of Canada  
20 Limited was formed in 1906 by the amalgamation of 18  
21 wholesale drug firms then in operation in various cities  
22 and towns across Canada. In certain cities, where two or  
23 more wholesale druggists were operating, these units were  
24 combined into a single operation. In some of the smaller  
25 towns, wholesale depots were closed. These changes were  
26 made in order to offer more efficient service to the  
27 rapidly expanding retail trade. Over the next 25 years,  
28 National acquired several other wholesale firms, and the  
29 Company now operates warehouses in 15 major cities.

30 The Parent Company, National Drug and Chemical

11 --On returning at 2:10 p.m.

THE AGING CHAIRMAN: Gentlemen, we will

call the meeting to order. Mr. D.E. Wright, Manager,

National Drug and Chemical Company of Canada Limited, Mr.

MR. WRIGHT: Mr. Chairman, members and

gentlemen, my name is David E. Wright. I am manager of

the National Drug and Chemical Company of Canada Limited,

Toronto Branch. I have prepared a paper here which I

would like to read, if permissible, and then of course

answer any questions that you may ask.

# SUBMISSION OF

NATIONAL DRUG AND CHEMICAL COMPANY OF  
CANADA LIMITED

APPEARANCE: Mr. D.E. Wright.

HISTORY OF NATIONAL DRUG AND CHEMICAL COMPANY OF CANADA  
LIMITED.

National Drug and Chemical Company of Canada

Limited was formed in 1906 by the amalgamation of 15

wholesale drug firms then in operation in various cities

and towns across Canada. In certain cities, where two or

more wholesale druggists were operating, these units were

combined into a single operation. In some of the smaller

made in order to offer more efficient service to the

rapidly expanding retail trade. Over the next 25 years,

National acquired several other wholesale firms, and the

company now operates warehouses in 15 major cities.

The Patent Company, National Drug and Chemical



1 Company of Canada Limited, Montreal, has four branches --  
2 Montreal, Ottawa, Toronto and London, plus a sub-branch  
3 at Hamilton, a depot at Quebec City and a sales office in  
4 Windsor, Ontario. The subsidiary companies include  
5 National-Canadian Drugs Limited, Johnston & Boon Co.,  
6 Limited, National-Drugs Limited, Alberta-National Drug  
7 Company, Limited, and B.C. Drugs Limited.

8                    Johnston & Boon Co., Limited, Fort William,  
9 was acquired in 1920. J. A. E. Tepoorten Limited,  
10 Vancouver, amalgamated with the National interests in that  
11 city in 1928, and the new company became known as B. C.  
12 Drugs Limited. Peacock Drug Company, acquired in 1931,  
13 joined the National interests in Alberta to become  
14 Alberta-National Drug Company, Limited, with warehouses  
15 in Calgary and Edmonton. In the same year, National  
16 amalgamated with Drugs Limited, and E.D. Martin & Company  
17 to form National-Drugs Limited, with warehouses in  
18 Winnipeg, Regina and Saskatoon. In the Maritimes, also  
19 in 1931, Canadian Drug Company Limited joined the National  
20 organization to form National-Canadian Drugs Limited, with  
21 branches in Halifax, Sydney and Saint John.

22                    In addition to the wholesale units, National  
23 has a manufacturing division, Laurentian Laboratories  
24 Limited, and a sales agency division comprising Laurentian  
25 Agencies Limited, in Montreal, Can-Wide Distributors  
26 Limited, in Toronto, and Preferred Brands Limited, Montreal.

27 THE ROLE OF THE WHOLESALE DISTRIBUTOR.

28                    The wholesaler is the vital link between  
29 the manufacturer and the retailer. The wholesaler is  
30 basically an agent of exchange. His essential function





Company of Canada Limited, Montreal, has four branches --  
Montreal, Ottawa, Toronto and London, plus a sub-branch  
at Hamilton, a depot at Quebec City and a sales office in  
Windsor, Ontario. The subsidiary companies include  
National-Canadian Drugs Limited, Johnston & Bean Co.,  
Johnston & Bean Co., Limited, Ford-William,  
was acquired in 1920. J. A. R. Thompson Limited,  
Vancouver, amalgamated with the National interests in that  
city in 1928, and the new company became known as B. C.  
Drugs Limited. Pascoe Drug Company, acquired in 1931,  
joined the National interests in Alberta to become  
Alberta-National Drug Company, Limited, with warehouses  
in Calgary and Edmonton. In the same year, National  
amalgamated with Drugs Limited, and H. D. Martin & Company  
to form National-Drugs Limited, with warehouses in  
Winnipeg, Regina and Saskatoon. In the meantime, also  
in 1931, Canadian Drug Company Limited joined the National  
organization to form National-Canadian Drugs Limited, with  
In addition to the wholesale units, National  
has a manufacturing division, Laurentian Laboratories  
Limited, and a sales agency division operating Laurentian  
Agencies Limited, in Montreal, Can-Wide Distributors  
Limited, in Toronto, and Preferred Brands Limited, Montreal.

THE ROLE OF THE WHOLESALE DISTRIBUTOR

The wholesaler is the vital link between  
the manufacturer and the retailer. The wholesaler is  
basically an agent of exchange. His essential function



1 is to purchase in large volume from manufacturers and sell  
2 in lesser volume to retailers. Without this simplified and  
3 efficient flow of goods, the demands of the consumer could  
4 not be met. Without the wholesaler to bridge the gap  
5 between manufacturer and retailer, the cost of distribu-  
6 ting goods becomes prohibitive. Mass productions have  
7 brought down the unit price of products. The same  
8 principle applies to distribution -- the most efficient,  
9 and, therefore, the least costly kind is the mass dis-  
10 tribution methods of the wholesaler.

11 More specifically, our Company carries an  
12 inventory of between 15 and 20,000 separate items which are  
13 purchased from more than 1,000 different manufacturers.  
14 Obviously the independent druggist could not afford to  
15 obtain all of his supplies directly from so many suppliers.  
16 He must have a central and local source of supply, and the  
17 service wholesaler provides this service.

18 In addition to being a source of supply, the  
19 wholesaler provides many other services. He is a source  
20 of information. Often the pharmacist requires information  
21 about products manufactured in distant cities. His local  
22 service wholesaler is able to provide this information  
23 immediately, thus saving the retailer both time and money.  
24 The wholesaler can also provide special products in  
25 emergencies quickly.

26 The wholesaler makes it possible for the  
27 independent druggist to carry a smaller inventory, which  
28 reduces the druggist's expenses and enables him to keep  
29 his consumer prices down. The consolidation of accounts  
30 payable into one account also saves the druggist time and



is to purchase in large volume from manufacturers and sell  
 in lesser volume to retailers. Without this amplified and  
 efficient flow of goods, the demands of the consumer could  
 not be met. Without the wholesaler to bridge the gap  
 between manufacturer and retailer, the cost of distribu-  
 ting goods becomes prohibitive. Mass productions have  
 brought down the unit price of products. The same  
 principle applies to distribution -- the more efficient,  
 and, therefore, the least costly kind is the mass dis-  
 tribution method of the wholesaler.

More specifically, our Company carries an  
 inventory of between 10 and 20,000 separate items which are  
 purchased from more than 1,000 different manufacturers.  
 Obviously the independent druggist could not afford to  
 obtain all of his supplies directly from so many suppliers.  
 He must have a central and local source of supply, and the  
 wholesaler provides many other services. He is a source

In addition to being a source of supply, the  
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The wholesaler makes it possible for the  
 independent druggist to carry a smaller inventory, which  
 reduces the druggist's expenses and enables him to keep  
 his consumer prices down. The consolidation of accounts





1 reduces his bookkeeping expenses. Another service  
2 provided by the wholesaler is the re-packaging of bulky  
3 products to consumer size, thus eliminating the necessity  
4 for the retailer to buy in large quantities.

5 THE PRICING STRUCTURE IN THE WHOLESALE DISTRIBUTION FIELD

6 In order to provide the services mentioned  
7 above, it is necessary for the wholesaler to operate his  
8 business at a profit. Working capital must be sufficient  
9 to finance inventories and accounts receivable, and to  
10 cover overhead expenses.

11 On Appendix "A" attached, is a schedule  
12 of prices of representative pharmaceutical items handled  
13 by this company, showing the cost from the manufacturer,  
14 the selling price to the retailer and the percentage of  
15 profit made by the wholesaler. It will be seen from this  
16 schedule that the wholesaler operates on a very low mark-  
17 up. It is only through volume that he is able to provide  
18 so many services with such a small margin of profit.

19 In addition to the pharmaceutical lines, we  
20 carry a complete line of toiletries, cosmetics, photographic  
21 supplies, patent medicines, drugs, chemicals and sundries,  
22 thus giving the retailer a full range of supplies from  
23 which to choose. In the case of nationally advertised  
24 brand name products, the percentage of profit available  
25 to the wholesaler averages from 5 to 6½%.

26 The many services provided by the service  
27 wholesaler, in such an economical manner, are indispensable  
28 to the retail pharmacist. Without them we know there  
29 would be increased costs at the retail level, which would,  
30 of course, ultimately be reflected in higher retail prices.



provided by the wholesaler in the re-packaging of bulky products to consumer size, thus eliminating the necessity for the retailer to buy in large quantities.

# THE PRICING STRUCTURE IN THE WHOLESALE DISTRIBUTION FIELD

In order to provide the services mentioned above, it is necessary for the wholesaler to operate his business at a profit. Working capital must be sufficient to finance inventories and accounts receivable, and to cover overhead expenses.

On Appendix "A" attached is a schedule of prices of representative pharmaceutical items furnished by this company, showing the cost from the manufacturer, the selling price to the retailer and the percentage of profit made by the wholesaler. It will be seen from this schedule that the wholesaler operates on a very low margin. It is only through volume that he is able to provide so many services with such a small margin of profit.

In addition to the pharmaceutical lines, we carry a complete line of toiletries, cosmetics, photographic supplies, otcnt medicines, drugs, chemicals and sundries, thus giving the retailer a full range of supplies from which to choose. In the case of nationally advertised brand name products, the percentage of profit available to the wholesaler averages from 5 to 6%.

The many services provided by the wholesaler, in such an economical manner, are indispensable to the small pharmacist. Without them we know there

would be increased costs at the retail level which would



And then, Mr. Chairman, we have attached a list showing the name of the manufacturer and the discount that we receive, and of course which we give, and our percentage of profit.

MR. RICE: Perhaps we could have the appendix to Mr. Wright's brief entered into the record.

THE ACTING CHAIRMAN: Yes.

Pharmaceutical Discounts Received From  
Supplier and Given to Retail Trade

<u>MANUFACTURER.</u>	<u>DISCOUNT TO US</u>	<u>DISCOUNT TO RETAIL TRADE</u>	<u>% PROFIT</u>
Abbott			
"A" and "B"	40-10%	33.1/3%-10	10.0
"C"	40-5	25-10	15.6
Allan & Hanbury	40-12½-2%	35-10	12.1
Glaxo	40-16-2/3-2	40-10	9.3
Ames	40-20-2	40-10	12.9
Arlington-Funk	33.1/3-20	33.1/3-10	11.1
Austin Lab.	40-16.2/3	40-10	7.4
Ayerst-McK. & H. Griseofulvin	40 (Human) 40-16.2/3	25-10 40-10	11.1 7.4
Bristol	40-16.2/3-2	40-10	9.3
British Drug Houses	33.1/3-16.2/3	33.1/3-10	7.4
Burroughs & Wellcome	40-16.2/3	42 net	13.8
B. & W. Globin-Insulin	25-7½	25 net	7.5
Calmic	40-20	40-10	11.1
Carter Cummings	40	25-10	11.1
CIBA	45	33.1/3-10	8.3
" Gammacorton	45-10	40-10	8.3
Desbergers	40-10-2	33.1/3-10	11.8
Frosst	40-5	20-10-10	12.0
Geigy	40-16.2/3-2	40-10	9.3
Hoechst	40-16.2/3	40-10	7.4
Hoffman-Laroche	40-16.2/3	40-10	7.4
Horner	40	25-10	11.1
Lederle	40-15-2	38½-10	9.7
Lilly	40-16.2/3-2	40-2 net	16.7







ANGUS, STONEHOUSE & CO. LTD.  
TORONTO, ONTARIO

Wright

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<u>MANUFACTURER.</u>	<u>DISCOUNT TO US</u>	<u>DISCOUNT TO RETAIL TRADE</u>	<u>% PROFIT</u>
MEAD JOHNSON			
Pharmaceut.	40-16.2/3	39-10	9.0
Nutrients #1	33.1/3-16.2/3	32-10	9.2
Merck S & D	50	40-10	7.4
Merrell	40-16.2/3-2	40-10	9.3
Ortho	40-15-5-1	40-10	11.2
Parke Davis	45	33.1/3-10	8.3
Pfizer	40-16.2/3	40-10	7.4
Poulenc	33.1/3-16.2/3	33.1/3-10	7.4
Purdue-Fred Erick	40-16.2/3-2	40-10	9.3
Riker	40-16.2/3-2	40-10	9.3
Robins	40-16.2/3-2	40-10	9.3
Rougier	40	25-10	11.1
Sandoz	40-16.2/3	40-10	7.4
Schering	40-16.2/3-1	40-10	8.3
G.D.Searle	40-16.2/3-2	40-10	9.3
Shuttleworth	33.1/3-16.2/3	33.1/3-10	7.4
Squibb	40	26½-10	9.3
Upjohn	40	25-10	11.1
" - Cortisone	40-16.2/3	40-10	7.4
Warner-Chilcott	33.1/3-16.2/3-1	33.1/3-10	8.4
Webber	40-16.2/3-1	40-10	8.3
Winthrop	40	25-10	11.1
" Vitamins	40-16.2/3	40-10	7.4
Wyeth (Cs.Qty)	40-5	25-10	15.6







1 THE ACTING CHAIRMAN: Would you care to  
2 answer some questions?

3 MR. RICE: How long have you been manager  
4 of National Drug and Chemical Company of Canada Limited?

5 MR. WRIGHT: 1950.

6 MR. RICE: How long have you been associated  
7 with the wholesale drug business?

8 MR. WRIGHT: I started in 1911. I have  
9 just obtained my 50th year.

10 MR. RICE: Are there a number of companies  
11 in the wholesale drug business, in competitive business,  
12 in Canada?

13 MR. WRIGHT: In Canada?

14 MR. RICE: Yes.

15 MR. WRIGHT: Yes, I think there are.

16 MR. RICE: Does that competition control  
17 your mark-up to a large extent?

18 MR. WRIGHT: We must be competitive.

19 MR. RICE: One or two questions on your  
20 brief. On page 2 you make the statement, "Without the  
21 wholesaler to bridge the gap between manufacturer and  
22 retailer, the cost of distributing goods becomes pro-  
23 hibitive."

24 Now, we have heard certain evidence that  
25 some manufacturers distribute directly to the retailer.  
26 I assume the key to your statement is in the first two  
27 words in the next sentence, "Mass production". You mean  
28 there that when a product obtains the height of mass  
29 production, then it becomes prohibitive?

30 MR. WRIGHT: Well, what I actually meant was

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some manufacturers discontinue directly to the retailer.

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words in the next sentence, "Mass production". You mean

there that when a product obtains the benefit of mass

production, then it becomes prohibitive?

MR. WRIGHT: Well, what I actually meant was



1 the fact that a retailer possibly could not buy in the  
2 quantity demanded by a manufacturer, whether it is \$50.00  
3 quantity or \$75.00 quantity or \$100.00 quantity, and buy  
4 all these things direct. Therefore it makes it essential  
5 that the wholesaler carries this stock and sells it to him  
6 at the very best price that a wholesaler can sell, which  
7 is based more or less on quantity purchases from manu-  
8 facturers.

9 MR. RICE: Now, does the manufacturer not  
10 have to reach a certain level or certain production in  
11 order to make the use of the wholesaler efficient? Do  
12 you agree with that? A relatively small manufacturer does  
13 not manufacture to a large extent; would he use the  
14 wholesaler at the same rate as the larger producer?

15 MR. WRIGHT: Yes. The smaller manufacturer  
16 may use the wholesaler more for this purpose, that he  
17 can't afford to have detailmen out detailing.

18 MR. RICE: Now, on page 3 you also set out  
19 there that in addition to the pharmaceutical supplies you  
20 also supply drug stores with toiletries, cosmetics and  
21 so on, and then you make the statement that in the case  
22 of nationally advertised brand name products, the per-  
23 centage of profit available to the wholesaler averages  
24 from 5 to 6½%.

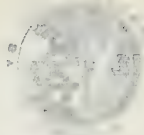
25 Is that including toiletries and cosmetics  
26 or ---

27 MR. WRIGHT: Yes. Advertised toiletries.

28 MR. RICE: How does the sale of pharmaceuticals  
29 only compare with that percentage?

30 MR. WRIGHT: Pharmaceuticals only, that is





the fact that a retailer possibly could not buy in the quantity demanded by a manufacturer, whether it is \$50.00 quantity or \$75.00 quantity or \$100.00 quantity, and pay all these things direct. Therefore it makes it essential that the wholesaler carries this stock and sells it to him at the very best price that a wholesaler can sell, which is based more or less on quantity purchased from manu-

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MR. WRIGHT: Yes. The smaller manufacturer may use the wholesaler more for this purpose, that he can't afford to have detailmen out detailing.

MR. RICE: Now, on page 5 you also set out there that in addition to the pharmaceutical supplies you also supply drug stores with toiletries, cosmetics and so on, and then you make the statement that in the case of nationally advertised brand name products, the percentage of profit available to the wholesaler averages from 5 to 10%.

Is that including toiletries and cosmetics

or ---

MR. RICE: How does the sale of pharmaceuticals

only compare with that percentage?

MR. WRIGHT: Pharmaceuticals only, that is



1 on Appendix A, which shows the discount we receive from  
2 these manufacturers. I have listed here a representative  
3 number.

4 MR. RICE: Perhaps we could have a word on  
5 Appendix A. The percentages here, do they refer to the  
6 manufacturer's list price?

7 MR. WRIGHT: Well, his list price from the  
8 manufacturer, less the discount, and then we charge it  
9 out at the list price less the discount which we show  
10 here.

11 MR. RICE: All these discounts are related  
12 to the manufacturer's list price, are they?

13 MR. WRIGHT: Yes.

14 MR. RICE: Could you give us an example of  
15 how one works there? Take the very first one there?

16 MR. WRIGHT: Well, for instance this lists  
17 at, say, \$100.00 or \$10.00 and he would receive 40% and  
18 10% off, which would be \$54.00.

19 MR. RICE: 40% and 10% on top of the 40?

20 MR. WRIGHT: Well, after the 40% has been  
21 deducted, and then we would allow the retail trade 33-1/3%  
22 from the list price, if it was \$100.00, and then 10% from  
23 that, and the balance of course is your gross profit.

24 MR. RICE: That is the way they are worked  
25 down the line?

26 MR. WRIGHT: Yes.

27 MR. RICE: Is the National Drug and Chemical  
28 Company of Canada Limited controlled in Canada?

29 MR. WRIGHT: Yes.

30 MR. RICE: It is controlled in Canada?



on Appendix A, which shows the discount we receive from these manufacturers. I have listed here a representative

MR. RICE: Perhaps we could have a word on Appendix A. The percentages here, do they refer to the manufacturer's list price?

MR. WRIGHT: Well, the list price from the manufacturer, less the discount, and then we charge it out at the list price less the discount which we show here.

MR. RICE: All these discounts are related to the manufacturer's list price, are they?

MR. WRIGHT: Yes.

MR. RICE: Could you give us an example of how one works there? Take the very first one there?

MR. WRIGHT: Well, for instance this list at, say, \$100.00 or \$10.00 and he would receive 40% and 10% off, which would be \$4.00.

MR. RICE: 40% and 10% on top of the 40%

MR. WRIGHT: Well, after the 40% has been

deducted, and then we would allow the retail trade 33-1/3% from the list price, if it was \$100.00, and then 10% from that, and the balance of course is your gross profit.

MR. RICE: That is the way they are worked

down the lines

MR. WRIGHT: Yes.

MR. RICE: Is the National Drug and Chemical

Company of Canada limited controlled in Canada?

MR. RICE: It is controlled in Canada





1 MR. WRIGHT: Yes.

2 MR. RICE: Is this Appendix A a partial  
3 list?

4 MR. WRIGHT: Oh, yes, just a partial list.  
5 It is not a list of all products.

6 MR. RICE: This partial list, is it repre-  
7 sentative of the total pharmaceuticals you carry?

8 MR. WRIGHT: Definitely.

9 MR. RICE: Mr. Chairman, have any members  
10 of the Committee any questions they would like to ask  
11 Mr. Wright.

12 MR. WHITE: Does your company do any pro-  
13 cessing or packaging?

14 MR. WRIGHT: Yes, in our laboratory in  
15 Montreal, yes.

16 MR. BRYDEN: That is the Laurentian Labora-  
17 tories?

18 MR. WRIGHT: Yes.

19 MR. WHITE: Can you explain the function  
20 they perform, just to what extent they do manufacture  
21 there?

22 MR. WRIGHT: Well, we manufacture all family  
23 remedies and household goods, you know, packages and that  
24 type of thing.

25 MR. WHITE: You manufacture the entire  
26 product in your plant in Montreal?

27 MR. WRIGHT: Well, naturally in some cases  
28 there would be the raw product that they would have to  
29 buy from some of the manufacturers, but then it would be ---

30 MR. WHITE: It is not just a matter of



MR. WRIGHT: Yes.

MR. RICE: Is this Appendix A a partial

MR. WRIGHT: Oh, yes, that's correct, first.

It is not a list of all products.

MR. RICE: This partial list, is it representative of the total pharmaceuticals you carry?

MR. WRIGHT: Definitely.

MR. RICE: Mr. Chairman, have any members of the Committee any questions they would like to ask

Mr. Wright.

MR. WHITE: Does your company do any pre-

ceding or packaging?

MR. WRIGHT: Yes, in our laboratories.

MR. DYER: That is the Lanthanum Isotope?

Correct?

MR. WRIGHT: Yes.

MR. WHITE: Can you explain the function they perform, just to what extent they do manufacture

them?

MR. WRIGHT: Well, we manufacture all family

remedies and household goods, you know, packages and that

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product in your plant in Montreal?

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there would be the raw product that they would have to

buy from some of the manufacturers, but then it would be

MR. WHITE: It is not just a matter of



1 changing the form; it is not just a matter of turning  
2 powder into tablets? You actually do compound in your  
3 plant there?

4 MR. WRIGHT: Yes.

5 MR. WHITE: Do you do any manufacturing at  
6 your branch warehouse here?

7 MR. WRIGHT: No. Subdivide.

8 MR. WHITE: That is what I wanted to clarify.  
9 You mention here that one of the functions performed by  
10 the wholesaler in your trade is the repackaging of bulky  
11 products to consumer size. Does that mean taking out of  
12 a big bottle and putting into little bottles?

13 MR. WRIGHT: That would mean we possibly  
14 would buy, well, say, Epsom Salts in 100 lb. bags, and  
15 sell them out in five-pound or ten-pound bags which you  
16 buy in the store.

17 MR. WHITE: You buy in bulk and package  
18 in your own packages?

19 MR. WRIGHT: Yes. Under our own label.

20 MR. WHITE: What is your label? Just  
21 National?

22 MR. WRIGHT: Just National Drug.

23 MR. WHITE: Have you a brand name?

24 MR. WRIGHT: No. Well, our brand name is  
25 Nadruco.

26 MR. WHITE: Do you put that brand name on  
27 all the packages?

28 MR. WRIGHT: No, that is just on family  
29 remedies and cough syrups and things like that.

30





changing the form; it is not just a matter of running powder into tablets? You actually do compound in your plant there?

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MR. WRIGHT: Yes, under our own label.

MR. WHITE: What is your label? Just

National?

MR. WRIGHT: Just National Drug.

MR. WHITE: Have you a brand name?

MR. WRIGHT: No. Well, our brand name is

Nabisco.

MR. WHITE: Do you put that brand name on

all the packages?

MR. WRIGHT: No, that is just on family

remedies and cough syrups and things like that.



1 MR. WHITE: Do you buy drugs in bulk from  
2 pharmaceutical manufacturers and package those in vials  
3 or tablets or anything of that sort?

4 MR. WRIGHT: No.

5 MR. WHITE: Would you buy drugs from a firm  
6 like Fine Chemicals under your label?

7 MR. WRIGHT: No.

8 MR. BRYDEN: Do you do any manufacturing or  
9 processing or packaging of prescription drugs?

10 MR. WRIGHT: No.

11 MR. BRYDEN: It is only in the patent medicine  
12 field?

13 MR. WRIGHT: It is only in the original  
14 packages.

15 MR. BRYDEN: You merely pass those along.  
16 Then, the Laurentian Laboratories, do they produce any  
17 ethical drugs at all?

18 MR. WRIGHT: No.

19 MR. WHITE: In Appendix A are given the names  
20 of perhaps 25 or 30 of your 1,000 suppliers. Who selected  
21 these particular suppliers?

22 MR. WRIGHT: Actually I just took them at  
23 random myself of the pharmaceutical manufacturers. These  
24 are only pharmaceutical manufacturers.

25 MR. WHITE: Are they some of your largest  
26 suppliers or was there a method used in supplying them?

27 MR. WRIGHT: No.

28 MR. WHITE: It was an arbitrary selection?

29 MR. WRIGHT: That is right, the most popular  
30 ones.



MR. WHITE: Do you buy drugs in bulk from

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1 MR. WHITE: Would you explain these various  
2 discounts, for instance take Allen & Hanbury. The discount  
3 is 40 - 12½ - 2%. Is the 12½% a quantity discount?

4 MR. WRIGHT: Yes, that would be a trade  
5 discount, and the 2% would be payable possibly in 20 or 30  
6 days.

7 MR. WHITE: That would be payable in 20 or  
8 30 days?

9 MR. WRIGHT: That is a cash discount.

10 MR. WHITE: And do you sell net 10 days to  
11 the retailer?

12 MR. WRIGHT: We issue statements twice a  
13 month. Goods purchased from the 1st of the month to the  
14 15th are payable on the 25th. Goods bought from the 11th  
15 to the end of the month are payable on the 10th of the  
16 month following.

17 MR. WHITE: There is no cash discount?

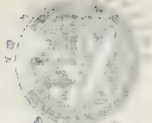
18 MR. WRIGHT: None whatever.

19 MR. WHITE: My observation was that in  
20 certain accounting exhibits which were presented on behalf  
21 of retailers, that their accounts payable was rather high  
22 and I wondered if this was a way of encouraging retailers  
23 to stock certain products, which leads me to the next ques-  
24 tion. What do you do if a retailer takes 60 days to pay  
25 or 90 days or 120 days?

26 MR. WRIGHT: Put him on a cash basis. That  
27 is about the size of it.

28 MR. WHITE: How tough are you with your  
29 receivables as a percentage of sales?

30 MR. WRIGHT: That would be a pretty difficult



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1 question.

2 MR. WHITE: It is an easy question if you  
3 have got the answer. You know your annual statement would  
4 disclose that.

5 MR. WRIGHT: Yes.

6 MR. WHITE: Have you got your annual state-  
7 ment with you?

8 MR. WRIGHT: No I have not.

9 MR. WHITE: That is something I would like  
10 to know, Mr. Chairman, because this is an expense to some-  
11 body if there are unusual terms of sale extended to  
12 retailers.

13 THE ACTING CHAIRMAN: Could you make that  
14 available to the Secretary as confidential information?

15 MR. WRIGHT: Yes.

16 MR. WHITE: Do you extend a quantity discount,  
17 or is this, taking the same firm, Allen & Hanbury, your  
18 discount to the retailer is 35 - 10. What is the 10%,  
19 is that a quantity discount?

20 MR. WRIGHT: No, that is a discount which  
21 we allow from the statement, not from the invoice but from  
22 the statement.

23 MR. WHITE: You give a terminal 10% discount  
24 on every invoice?

25 MR. WRIGHT: That is right, on every state-  
26 ment. Not for the invoice, but for the statement.

27 MR. WHITE: May I ask why that method is  
28 used? I suppose there is a reason for it?

29 MR. WRIGHT: One has to be competitive, let  
30 us say that.





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21 we allow from the statement, not from the invoice but from  
22 the statement.  
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29 MR. WRIGHT: One has to be competitive, I  
30 us say that.



1 MR. WHITE: And this is to compete with  
2 co-operative wholesalers for example?

3 MR. WRIGHT: That is correct.

4 MR. WHITE: You could just as easily give  
5 a man 40 and 10 on his invoice, but it might not look as  
6 advantageous to the retailer, so you adopt the other prac-  
7 tice?

8 MR. WRIGHT: Yes, and it would be a lot more  
9 work to take that up for each invoice, because there are  
10 some items, not very many, which are charged as a net  
11 price. The discount does not allow for the extra 10%.

12 MR. WHITE: In your brief you mention a  
13 statistic here that I am inclined to question. The  
14 sentence on page 3 says: "In the case of nationally adver-  
15 tised brand name products, the percentage of profit  
16 available to the wholesaler averages from 5 to 6½%."

17 I am asking if you can substantiate that  
18 remark.

19 MR. WRIGHT: Yes, you take a nationally  
20 advertised product, it might be a headache tablet, or it  
21 might be a hair cream on which the wholesaler would only  
22 receive 15%, that is other than the 33.1/3% or whatever  
23 is allowed by the manufacturer, and from that we have to  
24 allow 10%.

25 MR. WHITE: But you see, this exhibit here  
26 which you yourself have prepared in no case shows a  
27 discount as low as 5 or 6%.

28 MR. WRIGHT: This is only on pharmaceuticals  
29 sir.

30 MR. WHITE: This is only on pharmaceuticals?



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MR. WRIGHT: Yes, you take a nationally

advertised product, it might be a headache tablet, or it

might be a hair cream on which the wholesaler would only

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1 MR. WRIGHT: Definitely.

2 MR. WHITE: And when you refer to national  
3 brands, you mean products other than pharmaceuticals?

4 MR. WRIGHT: Yes.

5 MR. WHITE: Because we are not interested so  
6 much in things like hair tonic and so on.

7 MR. WRIGHT: Yes, I presume you are more  
8 interested in the pharmaceutical angle.

9 MR. WHITE: That is right. Can you tell us  
10 your average margin on sales for your pharmaceutical  
11 products?

12 MR. WRIGHT: Average gross margin?

13 MR. WHITE: Yes.

14 MR. WRIGHT: I would say it was in the  
15 neighbourhood of 10%, 10 to 11% just judging from this.

16 MR. WHITE: I concluded from previous testi-  
17 mony that it might be about 16%.

18 MR. WRIGHT: No it isn't.

19 MR. WHITE: You cannot give us a hard figure  
20 on that, you can only approximate that?

21 MR. WRIGHT: That is right.

22 MR. WHITE: Could you provide that informa-  
23 tion in confidence to our Secretary?

24 MR. WRIGHT: What is that?

25 MR. WHITE: The actual margin on sales of  
26 pharmaceutical products, that is your own average.

27 MR. WRIGHT: Yes, I could give it to you.

28 MR. WHITE: I think that would be interesting  
29 too, Mr. Chairman.

30 THE ACTING CHAIRMAN: I agree.



MR. WRIGHT: Definitely.

MR. WHITE: And when you refer to national

brands, you mean products other than pharmaceuticals?

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much in things like hair tonic and so on.

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pharmaceutical products that are your business.

MR. WRIGHT: Yes, I could give it to you.

MR. WHITE: I think that would be interesting

too, Mr. Chairman.

THE ACTING CHAIRMAN: I agree.



1 MR. WHITE: Do you extend the same retail  
2 discount to every retailer large and small?

3 MR. WRIGHT: Regardless of size.

4 MR. WHITE: And regardless of quantity he  
5 purchases?

6 MR. WRIGHT: Regardless of quantity.

7 MR. WHITE: There is no such thing as a  
8 quantity discount to the retailer?

9 MR. WRIGHT: No.

10 MR. WHITE: Those are all the questions I  
11 have.

12 MR. BRYDEN: Do you have any idea what  
13 percentage of prescription drugs sold through retail  
14 outlets goes to wholesaling houses?

15 MR. WRIGHT: That too would be another  
16 difficult question, because in many cases the retailer  
17 would buy direct.

18 MR. BRYDEN: You don't have any idea of how  
19 the direct purchases compare with those that are handled  
20 by wholesale houses?

21 MR. WRIGHT: No, the same manufacturers have  
22 a direct policy and others have a wholesale policy, and  
23 what is sold direct is pretty near impossible to answer.

24 MR. BRYDEN: What percentage of your own  
25 business relates to prescription drugs?

26 MR. WRIGHT: I would say it was in pharma-  
27 ceuticals between 40 and 45%.

28 MR. BRYDEN: And when you use the term ---

29 MR. WRIGHT: Of our total volume.

30 MR. BRYDEN: When you use the term





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1 pharmaceuticals ---

2 MR. WRIGHT: Items that I have listed from  
3 firms like this.

4 MR. BRYDEN: Are these all items that are  
5 available only on prescription, at least in your use of  
6 the term?

7 MR. WRIGHT: Yes.

8 MR. BRYDEN: How many of the 15 to 20,000  
9 items which you carry in stock would be pharmaceuticals?

10 MR. WRIGHT: Do you mean the number of items  
11 that would be in the pharmaceutical field?

12 MR. BRYDEN: Yes, you say that you carry an  
13 inventory of between 15 and 20,000 separate items.

14 MR. WRIGHT: Yes.

15 MR. BRYDEN: I am not asking you to give me  
16 the exact figure, but I imagine you would have an idea.

17 MR. WRIGHT: That is a little difficult to  
18 answer too, because there might be one item in four or  
19 five different strengths.

20 MR. BRYDEN: How do you define items? I  
21 assume that you classify each one as a separate item?

22 MR. WRIGHT: No, not necessarily. You see  
23 some things might be put up in bottles of 100 or 500  
24 tablets.

25 MR. BRYDEN: That is just quantities.

26 MR. WRIGHT: That would be two items, in  
27 other words.

28 MR. BRYDEN: Could you give me - you say  
29 you have 15 or 20,000 separate items in stock. A great  
30 many of those are items that this Committee is not

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25 MR. BRYDEN: Could you give me - you say

26 you have 15 or 20,000 separate items in stock. A great

27 many of those are items that this Committee is not





1 interested in such as hair tonic or Epsom salts or some-  
2 thing of that nature, but have you any idea what percen-  
3 tage of them it would be?

4 MR. WRIGHT: Possibly it would be one-third.

5 MR. BRYDEN: One-third?

6 MR. WRIGHT: One-third of our stock.

7 MR. BRYDEN: You are now talking in terms  
8 of items rather than value?

9 MR. WRIGHT: Yes.

10 MR. BRYDEN: What percentage of the 1,000  
11 different suppliers from which you obtain materials would  
12 be supplying you with pharmaceuticals?

13 MR. WRIGHT: Maybe 10%.

14 MR. BRYDEN: There would be about 100 of the  
15 1,000 firms that you buy from who would be selling you  
16 pharmaceuticals?

17 MR. WRIGHT: Yes, similar to those represen-  
18 ted in this list.

19 MR. BRYDEN: That is all thanks, Mr. Chair-  
20 man.

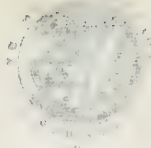
21 MR. TROTTER: I would gather from Appendix  
22 A that the price of a drug is actually set by the manufac-  
23 turer of the drug?

24 MR. WRIGHT: The list is, yes.

25 MR. TROTTER: In other words, if a ---

26 MR. WRIGHT: The catalogue price or his  
27 list price.

28 MR. TROTTER: If a drug was over-priced, let  
29 us say, and was thought to be costing too much for what it  
30 actually cost the initial firm, it would probably lie with



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11 different supplies from which you obtain materials would  
12 be supplying you with pharmaceuticals?  
13 MR. WRIGHT: About 50%.  
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15 1,000 items that you buy from who would be selling you  
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30 actually cost the initial firm, it would probably be with



1 the manufacturer who set that price in the first place?

2 MR. WRIGHT: Yes, I would say so.

3 MR. TROTTER: Of all the drugs you carry,  
4 suppose there were two manufacturing houses and they had a  
5 drug, let us say an antibiotic, is there very much diffe-  
6 rence in the drugs as far as their actual cure goes, the  
7 various firms put out?

8 MR. WRIGHT: Do you mean an antibiotic for  
9 the same purpose?

10 MR. TROTTER: Yes. Suppose you needed a  
11 drug and there were two drugs that could do the same  
12 thing, and each company more or less had its own drug.  
13 Is there very much difference in the drugs that these  
14 firms put out?

15 MR. WRIGHT: No, I think it would be approxi-  
16 mately around the same formula that is being used for the  
17 same purpose. That is a retailer's question, actually,  
18 or a manufacturer's.

19 MR. TROTTER: As a wholesaler, do you receive  
20 a great deal of advertising from the manufacturers of  
21 drugs?

22 MR. WRIGHT: None whatsoever.

23 MR. TROTTER: How do the drug manufacturers  
24 try to convince you to carry their products?

25 MR. WRIGHT: Well, it is by demand and of  
26 course their own advertising. When we get a demand as a  
27 service wholesaler only we have to stock the merchandise.

28 MR. TROTTER: Would a detailman call on you  
29 like they call upon the doctors?

30 MR. WRIGHT: Well, a detailman would call on





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1 us, but not in the sense of selling us merchandise.

2 MR. TROTTER: Is there very much pressure  
3 brought to bear upon you as a wholesaler?

4 MR. WRIGHT: Do you mean pressure to buy?

5 MR. TROTTER: Yes, a great deal of time and  
6 money spent to persuade you to carry a certain line?

7 MR. WRIGHT: No, if the demand is there and  
8 he has the orders from the various retailers, you have to  
9 stock the goods to supply your customers, so there is no  
10 question in that sense.

11 MR. TROTTER: When you stock goods it is  
12 mostly as a result of doctors wanting to buy from you or  
13 drugstores?

14 MR. WRIGHT: Just drugstores and hospitals.

15 MR. TROTTER: Just drugstores and hospitals?

16 MR. WRIGHT: We don't sell to doctors.

17 MR. TROTTER: I see.

18 MR. WHITE: Do you sell to hospitals?

19 MR. WRIGHT: Yes.

20 MR. BOYER: Earlier the witness said there  
21 were no quantity discounts. Are there charges made for  
22 broken packages?

23 MR. WRIGHT: Do you mean broken packages,  
24 broken dozens?

25 MR. BOYER: Yes, anything like that.

26 MR. WRIGHT: Like if there are 12 in a  
27 package, a dozen in the box and you only want one, you  
28 pay the same price for 12 as you would for one.

29 MR. BOYER: That is the price is per unit  
30 and that applies no matter how much you might buy?



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27 pay the same price for 12 as you would for one.

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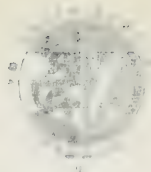
1 MR. WRIGHT: Yes, in other words, he could  
2 buy a small quantity and it would be the same price as for  
3 the large one.

4 MR. BOYER: The same price for one dozen as  
5 for one?

6 MR. WRIGHT: That is right.

7 MR. BOYER: Thank you.

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ANGUS & SONS  
TORONTO, CANADA

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1 MR. WHITE: I have a couple of questions.

2 I notice from this appendix that the margin of profit  
3 which you enjoy in these various products ranges from a  
4 high of 15.6% to a low of 7.4. Now, I would conclude that  
5 this range in your profit margin comes about because of  
6 the suggested wholesale prices supplied to you by the  
7 manufacturer, is that right?

8 MR. WRIGHT: Well, for Pfizer that extra  
9 5% is only allowed to a wholesaler when he buys a full  
10 case.

11 MR. WHITE: Let us take Lilly at 16.7 then  
12 as an example. Do you understand my question? If you  
13 were setting your own wholesale prices you would look for  
14 the same percentage on each one?

15 MR. WRIGHT: In the case of Lilly in this  
16 particular case we are distributors to the retail drug trade  
17 and naturally we have to carry extra stocks, we give  
18 extra service, special service on the particular line.  
19 We pay transportation, all the transportation on any Lilly  
20 items that are ordered through our company.

21 MR. WHITE: I am sure there is a reason for  
22 it but getting back to the question I am trying to put  
23 to you, because of the variation in profit margin on these  
24 different product lines I would judge that the manufacturer  
25 who suggests the retail selling price is also suggesting  
26 the wholesale selling price, right?

27 MR. WRIGHT: Not necessarily because we  
28 could set our own prices.

29 MR. WHITE: Yes, you could but is he not  
30 suggesting, for instance, on this illustration we used a





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MR. WHITE: Yes, you could but as he now

suggesting, for instance, on this illustration we used a



1 minute ago the Allan and Hanbury, are they not suggesting  
2 you give away 35% and 10%?

3 MR. WRIGHT: No, not necessarily.

4 MR. BRYDEN: Well, why is there such a  
5 variation?

6 MR. WRIGHT: Well, it all depends on the  
7 product that we get in the first place from the manufacturer.

8 MR. BRYDEN: Well, Burroughs Wellcome, for  
9 instance, is 40 - 16-2/3 and then 42 net to the retail  
10 trade; Pfizer is 40 - 16-2/3 -- 40 - 10. Burroughs  
11 Wellcome seems to be the one that is different as far as  
12 the 40 and 16-2/3 people are concerned?

13 MR. WRIGHT: Well, that was a price set up  
14 more or less by the wholesaler and by ourselves.

15 MR. WHITE: Well, why do you retain a small  
16 margin of profit on some and a large margin of profit on  
17 others?

18 MR. WRIGHT: Well, if our costs, operational  
19 costs and our cost of doing business in many cases is  
20 more than the profit shown on here.

21 MR. WHITE: That may be.

22 MR. WRIGHT: So you have to even up here and  
23 there or else you would not be in business.

24 MR. WHITE: The manufacturer sets the price  
25 to you, no question about that?

26 MR. WRIGHT: Oh yes, he sets the price to  
27 us, what he charges us.

28 MR. WHITE: And he suggests a retail selling  
29 price?

30 MR. WRIGHT: Yes, he suggests it.

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1 MR. WHITE: Now, does he not suggest the  
2 price at which you should sell to the retailer?

3 MR. WRIGHT: In some cases.

4 MR. WHITE: In some cases?

5 MR. WRIGHT: In many cases we just cannot  
6 take the suggested price because the margin is not there  
7 so we have to set our own price and be competitive.

8 MR. WHITE: So he usually suggests a whole-  
9 sale price and sometimes you follow it and sometimes you  
10 do not?

11 MR. WRIGHT: That is right.

12 MR. WHITE: Now then, if the retailer wants  
13 to put on a sales campaign affecting the products which  
14 you supply to him, do you sometimes co-op advertising  
15 expenses?

16 MR. WRIGHT: We do not, our company does  
17 not.

18 MR. WHITE: Never?

19 MR. WRIGHT: No.

20 MR. WHITE: Do the pharmaceutical houses  
21 sometimes co-op advertising expenses with your company?

22 MR. WRIGHT: No.

23 MR. WHITE: Never?

24 MR. WRIGHT: Never.

25 MR. WHITE: Is your price to the hospitals  
26 identical to the price to the retail trade or is there a  
27 different price to the hospitals?

28 MR. WRIGHT: No, the price to the hospital  
29 is the same list price but from that we have to allow sales  
30 tax on which we do not recover all the tax back.

MR. WHITE: Now, does he not suggest the

price at which you should sell to the retailer?

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MR. WRIGHT: No, the price to the hospital

tax on which we do not recover all the tax back.



1 MR. WHITE: Well, take the example of Allan  
2 and Hanbury, what would you sell to the Toronto General  
3 Hospital, what discount would you give to them on that  
4 company's line?

5 MR. WRIGHT: We would give them 35% and then  
6 allow them the sales tax allowance of 11% and then we  
7 recover, we put in a claim to the Department actually to  
8 get it back and we recover in the neighbourhood of six  
9 per cent.

10 MR. WHITE: Then taking this example you  
11 would give them 35% and 11% if they bought sales tax  
12 exempt?

13 MR. WRIGHT: Yes, if they bought sales tax  
14 exempt we would allow the sales tax.

15 MR. WHITE: What about a small hospital, let  
16 us say the Woodstock Hospital ordering the same product  
17 line, the Allan Hanbury line, what would their discount  
18 be regardless of quantity?

19 MR. WRIGHT: The same.

20 MR. WHITE: Regardless of quantity?

21 MR. WRIGHT: Yes.

22 MR. BRYDEN: One further thing: In cases  
23 where the manufacturer sells direct to the retailer is his  
24 discount to the retailer essentially the same as yours  
25 to the retail trade or does he give a bigger discount?

26 MR. WRIGHT: It is generally the same.

27 MR. BRYDEN: And he would then himself take  
28 the wholesaler's discount?

29 MR. WRIGHT: That is right, he would bypass  
30 the wholesaler.



MR. WRIGHT: Well, take the example of Allan

and Henry, what would you sell to the Toronto General

Hospital, what discount would you give to them on that

company's line?

MR. WRIGHT: We would give them 3% and then

allow them the sales tax allowance of 1% and then we

recover, we put in a claim to the Department according to

net it back and we recover in the neighborhood of six

MR. WRIGHT: Then taking this example you

would give them 3% and let it be a better sales tax

MR. WRIGHT: Yes, if they bought sales tax

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MR. WRIGHT: What about a small hospital, let

us say the Westport Hospital ordering the same product

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MR. WRIGHT: It is generally the same.

MR. WRIGHT: And he would then almost zero

the wholesaler's discount?

MR. WRIGHT: That is right, he would appear

the wholesaler.



1 MR. WHITE: Do some firms sell direct as  
2 well as to the wholesalers?

3 MR. WRIGHT: Yes.

4 MR. WHITE: They are competing with you?

5 MR. WRIGHT: That is right.

6 MR. AYERS: There are a couple of questions  
7 which are not quite clear. On page 2 you make a very  
8 attractive case for the wholesaler, so attractive it seems  
9 to me that no druggist would want to buy from a manu-  
10 facturer. Are there any manufacturers that only sell to  
11 wholesalers?

12 MR. WRIGHT: Yes.

13 MR. AYERS: There is no compulsion in the  
14 industry as in some other industries that all sales must  
15 be through jobbers?

16 MR. WRIGHT: Oh, no.

17 MR. AYERS: At what point do you decide  
18 when you add a new product, I am wondering when a manu-  
19 facturer makes a new discovery and does not know whether  
20 it will go over, you would not take on an additional item  
21 to your 15,000 or 20,000, I presume, until you sure it is  
22 a reasonably marketable product, is that right?

23 MR. WRIGHT: Until we see some orders.

24 MR. AYERS: Then also on page 2 you say:

25 "In addition to be a source of supply, the  
26 wholesaler provides many other services. He  
27 is a source of information"

28 What do you mean by that? What do you provide?

29 MR. WRIGHT: Just generalities on drugs,  
30 some druggists will call up and possibly will have a







1 prescription for a certain item he is not acquainted with  
2 and he will call up and we will tell him if it available  
3 from the wholesaler or who the manufacturer is, give him  
4 all the information we can.

5 MR. AYERS: At the top of page 3 you say:  
6 "The wholesaler makes it possible for the  
7 independent druggist to carry a smaller  
8 inventory, which reduces the druggist's  
9 expenses and enables him to keep his consumer  
10 prices down."

11 Is that right? From what we have heard we presume the  
12 druggist does his best to get all he can from his drugs  
13 and in many cases the rest of the drug store subsidizes  
14 his drugs. If that is the case, this would really not  
15 make any difference. What do you mean by that?

16 MR. WRIGHT: What I mean by that is that he  
17 does not need to buy large quantities, he can buy every  
18 day if he wishes or every week and he can keep his inventory  
19 down to a minimum. Rather than having a \$20.000. inventory  
20 he can have a \$10.000. inventory and possibly he was a  
21 little too close to the source of supply.

22 MR. AYERS: How does that keep his prices  
23 down?

24 MR. WRIGHT: Well, he does not have to carry  
25 the inventory and it costs money to carry inventory.

26 MR. RICE: Does it not cost more to buy in  
27 smaller quantities?

28 MR. WRIGHT: No, not one cent.

29 THE ACTING CHAIRMAN: Mr. Wright, would you  
30 have an idea of what percentage of pharmaceutical supplies





1 you sell as compared with toiletries and sundries in  
2 your business?

3 MR. WRIGHT: To the total volume?

4 THE ACTING CHAIRMAN: Yes.

5 MR. WRIGHT: Well, as I said, I would say our  
6 volume would be between 40 and 45% of our total volume  
7 in pharmaceutical lines.

8 THE ACTING CHAIRMAN: Do you have contracts  
9 with certain drug stores or agreements with certain drug  
10 stores whereby they are obliged to buy one hundred per  
11 cent from you?

12 MR. WRIGHT: No.

13 THE ACTING CHAIRMAN: Are there any other  
14 questions? Thank you very much, Mr. Wright.

15

16 THE ACTING CHAIRMAN: The next brief is  
17 from the Toronto branch of Drug Trading Company.

18 MR. FOSTER: Mr. Chairman, members of the  
19 Committee, ladies and gentlemen, my name is J. W. Foster  
20 and I am acting solicitor for the Drug Trading Company and  
21 I would like to say something about Mr. Legge. Mr. Legge  
22 is our associate general manager and has had considerable  
23 experience in the operation of the company.

24

25

26

27

28

29

30







R/dpw

1 MR. LEGGE: PREFACE We are pleased to have  
2 the opportunity to present this brief in which we have  
3 offered opinions and evidence which it is hoped will be of  
4 value to the Select Committee in its deliberations.

5 The privilege of submitting this brief was  
6 welcomed because of the unique position of this Company,  
7 which is owned and operated by retail druggists throughout  
8 Canada. It is at present the largest individual wholesale  
9 drug house on this continent and the majority of retail  
10 pharmacies in the Province of Ontario are numbered among  
11 its members.

12 Due to our position as a co-operatively  
13 operated wholesale house, in our brief we are dealing with  
14 certain aspects of retail pharmacy which are closely allied  
15 with our wholesaling operation.

16 In today's elaborate distribution network  
17 the wholesaler performs a very vital function. Due to the  
18 interplay of economic forces over the past century, we in  
19 North America have high living standards based on enormous  
20 productivity, but our mass production economy is completely  
21 dependent on mass distribution.

22 Economic value in any product may be said to  
23 be represented by four essential utilities:

- 24 1. Form Utility - The want-satisfying  
25 power arising from a  
26 product's physical  
27 properties.  
28 2. Place Utility - The capacity to give  
29 and satisfaction by being  
30 3. Time Utility available in a







convenient place at  
the proper time.

4. Possession Utility - The benefit arising  
from actual possession and use.

Form utility is created in the manufacturing  
process.

Getting the product to the point of final  
retail purchase creates place utility.

Having it available when wanted provides the  
time utility.

It is only when the final sale is made that  
possession utility in consumer products is created.

The services of the wholesaler, or the performance of the functions of creating time and place utility by some agency, are vital to the involved pattern of movement of goods from factory to ultimate consumer. We submit that the wholesaler performs a most vital service in bringing together the products of a large number of producers and selling them to a large number of small retailers in economical quantities.

The wholesaler makes it unnecessary for the retailer to maintain large, slow-moving stocks. He takes care of warehousing, delivers or otherwise ships the items as needed, making it possible for the small retailer to offer a well balanced selection of stock to his customers, while holding his investment in inventory down to a level that permits a profitable turnover.

As wholesale druggists we carry approximately  
27,000 items in our inventory, many of which items are in



1 convenient place at  
2 the corner of  
3 W. Kensington Street - the corner of  
4 from actual possession  
5 and use.  
6 Your utility is created in the manufacturing  
7 process  
8 before the goods are the property of the  
9 retailer, and are not sold to him.  
10 having it established when would provide the  
11 the utility.  
12 it is only when the final sale is made that  
13 possession of utility in consumer products is created.  
14 The retention of the ownership of the goods  
15 throughout the time of storage and sale  
16 utility by the producer, and until the goods are  
17 a measure of goods from factory to retailer.  
18 We submit that the question of utility is a very serious  
19 in bringing together the products of a large number of  
20 producers and selling them to a large number of retailers.  
21 retailers in economical quantities.  
22 The question of utility is a very serious one for the  
23 retail trade, and is a very serious one for the  
24 retail trade, and is a very serious one for the  
25 retail trade, and is a very serious one for the  
26 retail trade, and is a very serious one for the  
27 retail trade, and is a very serious one for the  
28 retail trade, and is a very serious one for the  
29 retail trade, and is a very serious one for the  
30 retail trade, and is a very serious one for the



1 very infrequent demand but are carried to fill the occa-  
2 sional emergency need; at the same time, we attempt to  
3 procure any urgent prescription item called for by the  
4 physician.

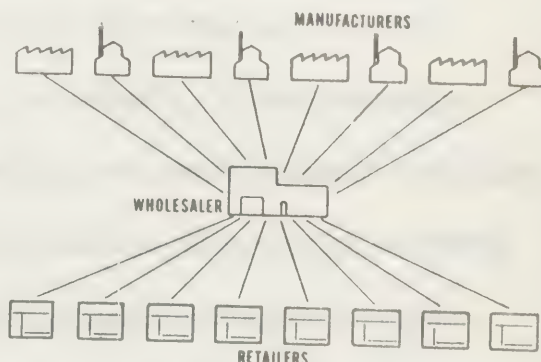
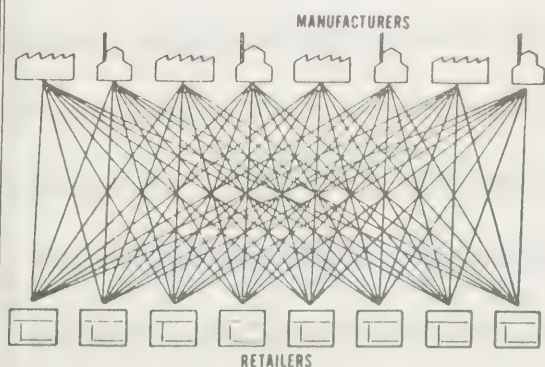
5 Without the wholesaler, to offer the normal  
6 range of stock in the drug store of this age, the retailer  
7 would have to buy some 7,000 to 10,000 different items  
8 from hundreds of individual suppliers -- a situation  
9 which would completely strangle the small operator.

10 Two examples of this are, I have here:

11 1. An order for a pharmacy in Northern  
12 Ontario, dated October 24, has 126 items  
13 ordered, and these items we obtain from 64  
14 different suppliers.

15 2. Another for a Southern Ontario pharmacy,  
16 dated October 31, includes 256 items, repre-  
17 senting 114 suppliers.

18 The situation which would exist without the  
19 wholesaler can be compared to the illustration to the left  
20 as opposed to the illustration to the right representing  
21 wholesaler distribution.









1 Any retail druggist, while normally stocking  
2 perhaps one third of the total number of items carried by  
3 the drug wholesaler, can call upon any items from the  
4 wholesaler's entire range if the occasion arises. (In  
5 our case, we procure for our customers about 1300 items in  
6 the average week that we do not stock -- rarely required  
7 drugs and chemicals, and pharmaceutical specialties and  
8 sickroom supplies, replacement parts for all types of  
9 health equipment, etc., etc.)

10 For the benefit of the consumer "We will  
11 get it for you" has long been a byword in retail pharmacy.  
12 It could not be maintained satisfactorily without the  
13 wholesaler.

14 Within the drug trade there are a goodly  
15 number of manufacturers who do not "recognize" the whole-  
16 saler. That is to say, they will sell to him but allow  
17 him no wholesale discount to pay for the services per-  
18 formed. The result is that the retailers buying those  
19 manufacturers' goods through the wholesaler -- and in many  
20 cases they must do so in order to keep balanced stocks --  
21 those retailers make inadequate profit on the particular  
22 goods, for the wholesaler must add his mark-up. There are  
23 also those manufacturers who sell only direct to the  
24 retailer. While we recognize the right of any manufac-  
25 turer to establish his own policy, we would point out that  
26 while the wholesaling functions may be shared in varying  
27 proportions by the direct selling manufacturer and his  
28 retail customer, the functions must be performed and the  
29 costs must be absorbed somewhere. The wholesaler is  
30 geared to handling the day-to-day requirements of the

any retail dealer, while normally stocking  
 perhaps one third of the total number of items carried by  
 one drug wholesaler, can call upon any item from the  
 wholesaler's entire range of the selected prices. (In  
 our case, we procure for our customers about 1,500 items in  
 the average week that we do not stock -- namely required  
 drugs and chemicals, and pharmaceutical specialties and  
 alkaloid preparations, replacement for all types of  
 ...  
 But the benefit of the turnover "we will  
 get it for you" has long been a slogan in retail pharmacy.  
 It should not be mentioned automatically without the  
 ...  
 Within the drug trade there are a healthy  
 number of manufacturers who do not "recognize" the wholesaler.  
 That is to say, they will sell to him but allow  
 him no wholesale discount to pay for the services per-  
 formed. The result is that the retailer paying these  
 manufacturers' prices through the wholesaler -- and in many  
 cases they must do so in order to keep balanced stocks --  
 those retailers make inadequate profit on the particular  
 goods for the wholesaler must see his mark up. There are  
 also those manufacturers who sell only direct to the  
 retailer. While we recognize the right of any manufac-  
 turer to establish his own policy, we would point out that  
 while the wholesaler's business may be secured in varying  
 proportions by the direct selling manufacturers and the  
 retail dealer, the retailer must be protected and the  
 trade must be absorbed completely. The wholesaler is  
 ... the day-to-day requirement of the





1 retailer for many manufacturers' lines, to consolidating  
2 into one substantial account what would otherwise be a  
3 small account with each manufacturer. The wholesaler's  
4 intimate contact with his customer enables him to "nurse  
5 along" the customer who is having difficulty, to assist  
6 and advise him in improved management procedures, to work  
7 with him in solving the merchandising problems created by  
8 the competitive changes taking place in the market place  
9 of the day.

10 In this regard, we would like to point out  
11 that despite our efforts and the abilities of the store  
12 operators, economic factors are making it unprofitable in  
13 much greater frequency lately for the small independent  
14 to keep operating. So far in this calendar year 53 of our  
15 members have closed out their businesses, some re-opening  
16 in new locations, others entering partnerships and still  
17 others taking employment with other independent or chain  
18 stores. In the same period, members, including new  
19 members, have opened a total of 38 stores.

20 Wholesale order processing and goods  
21 handling methods have made tremendous strides over the  
22 years. Electronic data processing equipment is widely  
23 used for billing, inventory control, receivables, etc.,  
24 and in the warehouse, conveyor systems, fork trucks and  
25 all kinds of powered equipment are providing more efficient  
26 merchandise handling.

27 In addition, the alert wholesaler has long  
28 recognized that he must do more than merely bring together  
29 the products of the manufacturer and redistribute them to  
30 the retailer. Even before the broad changes in retailing



1. In addition, the above mentioned...

2. It is necessary that we must do more...

3. The products of the manufacturing and...

4. The retailers, even before the...

5. In the same period, members, including...

6. Others, have opened a total of 10 stores...

7. In new locations, others entering partnership...

8. Moreover, have opened our first branches, some...

9. To keep operating, so far in this calendar year...

10. But we are busy mostly for the small...

11. Commercial economic factors are making it...

12. That the price our efforts and the...

13. In this regard, we would like to...

14. At the same time...

15. The representative character taking place in the...

16. With him in solving the manufacturing problems...

17. And advises him in improved management...

18. Along, the customer who is having difficulty...

19. Initiative contact with his customer enables him to...

20. Self account with each manufacturer. The...

21. From the substantial account what would otherwise...

22. Reason for many manufacturers' times, to consolidating



1 that brought the departmental store and the chain to a  
2 prominent position, the wholesaler began to extend certain  
3 business services to his customer. Now, with these  
4 retailing giants to a great extent not only assuming the  
5 wholesaler function, but, together with the "discount  
6 house", putting tremendous competitive pressure on the  
7 small storekeeper, the wholesaler has had to move much  
8 further into the area of providing guidance and assistance  
9 for his customers. Here are some of the services we offer  
10 retailers today:-

11 General Services --

12 Accounting and record systems

13 Analysis of store operations

14 Instruction in inventory control

15 Buying guides containing information on

16 deals, new products, prices, price changes

17 Prescription item information service by  
18 phone

19 Automatic shipment of new prescription and  
20 promotional items

21 Personnel placement services and personnel  
22 checking services (money handling habits,  
23 etc.)

24 Group liability insurance coverage

25 Special prescription item delivery

26 Merchandising Services --

27 Clinics on window dressing

28 Display rooms, not only to show goods but  
29 to illustrate promotional ideas

30 Regular bulletins containing promotional







1 ideas and product information  
2 Trade shows with suppliers in attendance  
3 Special seasonal promotions, also advice  
4 on seasonal merchandising  
5 Display materials to individual customer's  
6 requirements  
7 Departmentalization instruction in general  
8 Remodelling and reorganization programs for  
9 the store, including consulting services  
10 and blueprinting of layouts, advice and  
11 assistance in all phases of store improvement,  
12 including store front, interior, fixtures,  
13 flooring, colour scheme, lighting, etc.  
14 Consumer advertising programs  
15 Sales training programs for clerks and owners  
16 Counselling on proposed locations  
17 New store opening order stock planning, with  
18 delivery timed to match opening dates, and  
19 opening order financing  
20 Furnishing opening specials and planning ads  
21 Clerical help and physical labour in setting  
22 up stock  
23 Complete merchandising programs such as our  
24 I.D.A. plan  
25 As far as our organization is concerned, we  
26 attribute our steady growth to a great extent  
27 to undertaking to offer these services to  
28 our retailers over the years. May we inform  
29 you briefly of the history of our Company.  
30 The even tenor of the drug business of this

Continued on following page





1 province of the 1890's was rudely shattered when a fast-  
2 growing Toronto departmental store began cutting prices  
3 on many well known patent and proprietary remedies. This  
4 organization was able to purchase direct from the manufac-  
5 turers many of these items at the same price as the  
6 existing wholesalers could buy, hence, when it advertised  
7 and sold such items at approximately the druggist's cost,  
8 it still had the wholesaler's margin as gross profit. It  
9 is to be presumed, also, that this store's cut-price drug  
10 advertising had the effect of stepping up the sales of  
11 other merchandise at normal profits to customers coming in  
12 to buy the drug specials.

13               While this type of cut-rate drug advertising  
14 became popular with other well known outlets as well, the  
15 independent druggist was severely hurt by a loss of trade.  
16 Even if he met the cut prices, he was in a less favoured  
17 position to make this known to the people of his small area  
18 than the big stores who were using large space in the  
19 daily papers and advertising to the entire trading areas.  
20 The druggist had to watch much of his business leave him  
21 or attempt to hold his volume by selling a substantial  
22 share of his volume at about his cost. Quite a number of  
23 druggists were forced out of business.

24               In this dilemma a group of 14 independent  
25 druggists in 1897 formed the Druggists' Syndicate, the  
26 fore-runner of Drug Trading Company, when they each put up  
27 \$50 capital to operate a "buying club", purchasing direct  
28 from the manufacturers at first just a few of the items  
29 featured by the new competitors, and matching the competi-  
30 tive prices. They bought from suppliers where they could



1 provisions of the laws was mostly unenforced until 1935.  
2 growing Toronto departmental stores began cutting prices  
3 in 1935 and 1936, and the retail trade was hit.  
4 The situation was not so serious in 1937, but the situation  
5 was not so good in 1938, and the situation was not so good  
6 in 1939 and 1940. At approximately the same time,  
7 it is said that the wholesale trade was in a bad way. It  
8 is to be presumed, also, that this trade's out-of-the-way  
9 advertising had the effect of stopping up the sales of  
10 other merchants at normal prices to customers coming in  
11 to buy the drug specialists.  
12  
13 became popular with other well known artists as well, the  
14 independent drugstore was severely hurt by a loss of sales.  
15 When it he was the out of pocket, he was in a less favoured  
16 position to make this kind of the people of the small size  
17 than the big stores who were doing large space in the  
18 daily papers and advertising in the entire trading areas.  
19 The drugstore had to watch much of his business leave him  
20 or attempt to save his volume by selling a substantial  
21 share of his volume at about his cost, with a number of  
22 outlets were turned out of business.  
23 In this manner a group of 15 independent  
24 drug stores in 1937 formed the Drug Retail Association, the  
25 first in the world, trading through, when they each put up  
26 \$50 capital to operate a "buying club", negotiating direct  
27 from the manufacturers at first, and a few of the items  
28 featured by the new competitors, and making the reports



1 obtain the wholesaler's discount, and with one of the  
2 members handling the purchasing and storing for a 3%  
3 handling charge, these druggists were able to operate with  
4 a gross profit on the affected lines equal to that whole-  
5 saler discount, less the handling charge and any cartage  
6 costs they had.

7                   This was a co-operative effort born of dire  
8 emergency -- and it received the full support of the  
9 entire group, which quickly grew in strength and more and  
10 more manufacturers were induced to sell to it at wholesale  
11 prices. The success of the Druggists' Syndicate was such  
12 that pressure from the existing wholesalers was brought to  
13 bear on the manufacturers selling to the group, under the  
14 complaint that the Syndicate was selling to its members  
15 below wholesale list prices. Such was the pressure that  
16 on this excuse, one after another the manufacturers  
17 notified the Syndicate that they would no longer sell to  
18 it. Faced with ruin, the members of the Syndicate decided  
19 to disband it and form a limited joint stock company,  
20 co-operatively owned, to operate as a wholesaler and to  
21 sell at wholesale prices -- but to return to its members  
22 all operational savings, in the form of commissions on  
23 their purchases. Thus it was that in 1904 Drug Trading  
24 Company Limited was born.

25                   Since its beginning, Drug Trading has been  
26 owned solely by its druggist-members. Each member invests  
27 in the company, which is governed by a Board of Directors  
28 consisting of twelve men, eleven of whom are independent  
29 retail druggists, the twelfth being its Managing Director.  
30 Membership has always been open to independent druggists





1 obtain the wholesaler's discount, and with one of the  
2 members handling the purchasing and storing for a 3%  
3 margin change, these drugists were able to operate with  
4 a gross profit on the selected items equal to their whole-  
5 sale discount, less the handling charge and any cartage  
6 costs they had.  
7 This was a co-operative effort born of dire  
8 necessity -- and it received the full support of the  
9 entire group, which naturally grew in numbers and  
10 more manufacturers were induced to sell to it at wholesale  
11 prices. The success of the "Wholesale Syndicate" was such  
12 that pressure from the existing wholesalers was brought to  
13 bear on the manufacturers selling to the group, until the  
14 president of the Syndicate was selling to the members  
15 below wholesale list prices. This was the pressure that  
16 on this excuse, one after another the manufacturers  
17 notified the Syndicate that they would no longer sell to  
18 it. Fast with ruin, the members of the syndicate decided  
19 to disband it and form a limited joint stock company.  
20 co-operatively, with the doctors as a whole group and to  
21 sell at wholesale prices -- but no return to the members  
22 all operational savings, in the form of commissions on  
23 their purchases. This is what in 1906 they decided  
24 to do. The limited company was born.  
25 Since its beginning, Drug Trading has been  
26 owned solely by the drug manufacturers. Each member invests  
27 in the company, which is governed by a Board of Directors  
28 consisting of twelve men, eleven of whom are doctors and  
29 retail druggists, the twelfth being the Managing Director.  
30 Drug Trading has always been open to independent druggists



1 registered and in good standing with their provincial  
2 licensing body. A minimum investment of \$120 is required  
3 of every new member, with a maximum investment of \$1920.  
4 On this investment the member receives a return of 4% per  
5 annum. All earnings of the company are credited to members  
6 twice a year in the form of commissions on their purchases.  
7 Maximum commissions are paid on purchases where the member's  
8 investment is \$480 or over.

9               From the start, the Company's business philo-  
10 sophy has been to utilize the combined buying power of the  
11 members to obtain merchandise at the most advantageous  
12 prices consistent with fair dealing and with operating  
13 the co-operative wholesale house on a basis which would  
14 provide adequately for future growth. Certain co-operation  
15 has had to be solicited and has to a great extent been  
16 secured from the members over the years, to enable the  
17 expenses of the wholesale to be kept down. We refer to  
18 such things as the druggist-member writing his own general  
19 orders and sending them in, rather than make it necessary  
20 for a "salesman" to come in for the order, or even for a  
21 telephone clerk to call.

22               Drug Trading Company has, to a unique degree,  
23 acted as a "watch dog" of the interests of its druggist-  
24 members. It has been quite logical, we feel, that the  
25 Company owned by druggists should be vitally concerned  
26 always to obtain for the druggist the best possible terms,  
27 as compared to companies selling to the retailer but  
28 publicly or privately owned. Drug Trading has earned a  
29 reputation of being aggressive in bargaining with its  
30 suppliers. We are proud of this reputation, because of







1 the nature of our organization.

2                   With respect to obtaining best possible  
3 terms from suppliers, it is our firm belief that the  
4 cheaper we can put the merchandise into our customers' or  
5 members' stores, not the more profit they will make, but  
6 in the overall picture, the lower will be the prices at  
7 which the general public will obtain wanted merchandise  
8 from these stores. The operations of this co-operative  
9 buying organization do help to provide the members with  
10 some added assurance of making an adequate living, but,  
11 more importantly, enable hundreds of independent pharma-  
12 cies across the land to provide a needed health service  
13 to the public on a price basis comparable with the largest  
14 mercantile organizations -- and in areas where these  
15 latter organizations do not see fit or are unable to pro-  
16 vide the close relationship which is desired by the public  
17 in respect to pharmaceutical services.

18                   By the end of its first year, Drug Trading  
19 Company was able to report business of \$250,000, and  
20 \$18,000 was paid back to the membership then numbering  
21 about 200.

22                   At the close of its last financial year in  
23 March of 1961, Drug Trading Company reported annual gross  
24 sales (i.e. before return of commissions) of \$39,955,772,  
25 and for that year returned to its members \$3,440,643 in  
26 commissions. This brought the total amount returned to  
27 its members since 1904 to \$50,838,426. While this seems  
28 like a tremendous sum, it must be pointed out that the  
29 membership in the Company now totals 1863, and of this  
30 number, 1601 are actively in business and operate 1685





1 stores. Thus the average commissions per store are in  
2 the realm of \$2000 per year.

3 Without the return of earnings from Drug  
4 Trading Company to the retail pharmacist (and most Ontario  
5 pharmacists are Drug Trading members), which thereby  
6 reduces his cost of merchandise, the average net profit  
7 would be cut very significantly.

8 It should be pointed out here that due to the  
9 interplay of competitive forces over the years, the major  
10 wholesale competitors of Drug Trading Company are offering  
11 certain inducements approximately equal to the Drug Trading  
12 commissions, so that the retail druggist not purchasing  
13 from Drug Trading, obtains much of his merchandise at a  
14 lower net cost due to the existence of our organization.

15 As mentioned earlier, the wholesaler has  
16 long recognized that he must do more than merely act as a  
17 distributor of merchandise. Apart from our unflagging  
18 efforts from the start to obtain goods from manufacturers  
19 and other suppliers to turn over to our members at best  
20 prices, we embarked on a number of significant moves over  
21 the years.

22 In the second decade of this century, the  
23 chain drug store came upon the local scene, to add to the  
24 competition, the independent druggist was already feeling  
25 from the departmental store, the mail order house and also  
26 the syndicate store.

27 With the advent of the chain drug store,  
28 price competition moved substantially into the area of  
29 private brand household drugs and remedies, as well as  
30 nationally advertised brands. To assist the independent





1 stores. Thus the average volume alone per store was in  
2 the realm of \$5000 per year.

3 With the return of earnings from Dr. G.

4 Trading Company to the retail pharmacist (and most certainly  
5 pharmacists are Drug Trading members), which thereby  
6 reduced his cost of merchandise, the average net profit  
7 would be very significant.

8 It should be pointed out here that we are in

9 the presence of competitive forces over the years. The major

10 competitor of Drug Trading Company are other

11 retail independent pharmacies such as the Drug Trading

12 commission, and that the retail druggist not purchasing

13 from Drug Trading, or other member of his merchandise at a

14 lower net cost due to the existence of our organization.

15 As mentioned earlier, the wholesaler has

16 long recognized that he must do more than merely act as a

17 wholesaler. He must also act as a

18 service from the point of view of his manufacturer

19 and other suppliers to turn over to our members at best

20 prices. As evidenced on a number of significant moves over

21 the years.

22 In the second decade of this century, the

23 main drug store was upon the local scene, to add to the

24 competition the independent druggist was already feeling

25 from the departmental store, the mail order house and a

26 the specialty store.

27 With the advent of the main drug store,

28 price competition moved substantially into the area of

29 multiple brand household drugs and remedies, as well as

30 various other household brands. To assist the independent



1 to remain relatively competitive, in 1932 Drug Trading  
2 purchased the manufacturing organization which then became  
3 its wholly owned subsidiary, Druggists' Corporation Limited.  
4 With these facilities Drug Trading set about to produce  
5 household drugs and remedies, and also pharmaceutical  
6 products, at competitive prices but of the highest quality.  
7 Modern pharmaceutical equipment was installed and facilities  
8 were set up to provide quality control of all manufacturing  
9 and finishing processes. At present, we employ three  
10 graduate pharmacists and one Bachelor of Science in this  
11 division.







Our rigid system of inspection of incoming raw materials and our high standards result in our frequently rejecting supplies which would pass even the exacting standards set up by the Food and Drug Department at Ottawa. Constant quality control checks throughout manufacturing processes can also result in our rejecting batches which would pass the minimum standards.

It might be stated here that for many years our manufacturing division has marketed pharmaceutical products under both trade names and generic names. The parent wholesale company has handled for years drugs and chemicals produced by other manufacturers and marketed under their generic names. Today Drug Trading carries a very comprehensive line of generic name products, in fact many generic name products are stocked from two or more manufacturers.

Due to the changes taking place in the pharmaceutical field, particularly in recent years, many of the older standbys of the medical profession have suffered severe declines in demand. Yet there is still a need for them. It should be pointed out that many of the manufacturers have vacated this field, due to the relative unprofitability of the reduced manufacturing volumes involved. Someone has been needed to maintain production of these products. We are among the few to whom the responsibility has been left to fulfil these needs. Being the company of the retail pharmacist, it is we to whom our members look to supply this unprofitable but necessary service to the public.

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unprofitability of the reduced manufacturing volumes

involved. Some have been forced to reduce production

of these products. As we know, too few to whom the

responsibility has been left to handle these needs. Being

the company of the retail pharmacist, it is we who must

members look to supply this important and necessary

service to the public.



THE I. D. A.

In the late '20's and early '30's, the independent druggists' big competitors were proclaiming to the public their low prices, by large scale newspaper advertising, by mail order catalogue, by house-to-house circulars and by other means. It was apparent that the independent druggist needed some effective way of letting the public know that his prices were just as attractive as his competitors'.

The answer to the problem was a new merchandising and advertising plan in the form of the independent Druggist' Alliance or "I.D.A.", introduced into this market in 1933 by Drug Trading Company. The Alliance was a voluntary organization designed to help druggists tell their story to the public. This story of "Competitive Prices and Friendly Personal Service" was told in many ways -- through newspapers and handbills and other advertising media, as well as through a wide variety of competitively priced drugs manufactured by our subsidiary and packaged under the I.D.A. label. Identification of the retailer with the plan was made possible through store signs, etc.

This plan was an almost immediate success, as the public was brought to realize that the independent druggist could and did compete with the mercantile giants.

The I.D.A. has had a substantial growth, now embracing about 530 of the stores in Drug Trading's membership. Its merchandising policies have always aimed at creating business for its independent members by keeping them competitive and telling the public so. Today, I.D.A.





### THE INDEPENDENT DRUGGIST

In the late '30s and early '40s the

independent druggist, big corporations were producing  
to the public their low prices, by large scale newspaper  
advertising, by mail order catalogue, by house-to-house  
circulairs and by other means. It was apparent that the  
independent druggist needed some effective way of meeting  
the public - how that his prices were just as attractive  
as his competitors'.

The answer to the problem was a new way

of obtaining and advertising prices in the form of the

Independent Druggist's Alliance or "I.D.A.". Introduced into

this market in 1943 by Dr. Fred Harding, M.D., The Alliance

was a voluntary organization designed to help druggists

sell their wares to the public. This story of "competitive

prices and friendly personal service" was told in many

ways - through newspapers and magazines and other ad-

vertising media as well as through a wide variety of

competitively priced drugs were secured by our subscribers

and packaged under the I.D.A. label. Identification of

the retailer with the plan was made possible through short

align, etc.

This plan was an almost immediate success.

As the public was brought to realize that the independent

druggist could and did compete with the mercantile giant.

The I.D.A. has had a substantial growth.

now embracing about 5% of the volume in Drug Wholesaling

membership. The merchandising policies are always aimed

at providing the public with the best possible service

and selling the goods at the lowest possible price.



1 is facing up to the challenge of new competition with a  
2 vigorous and aggressive merchandising approach.

### 3 STORE MODERNIZATION

4 Another important service rendered by Drug  
5 Trading to the retail pharmacist, and indirectly to the  
6 Canadian public, was the institution in 1945 of a store  
7 planning department. There was a need for professional  
8 advice on this subject, as more and more druggists came  
9 to realize the importance of modernizing their premises.  
10 It can be said that as "preachers" of the value of store  
11 improvement, we were duty bound to provide the needed  
12 assistance. Counselling is done free by our experienced  
13 store planning staff, while our set-up crew is available  
14 at nominal rates to perform much of the labour involved  
15 in making store changes. In the few years of this depart-  
16 ment's existence, it has worked with hundreds and hundreds  
17 of our members. We believe it has been to a considerable  
18 degree responsible for the relatively high calibre of the  
19 majority of independent drug stores in this province.

20 Store modernization services, merchandising  
21 assistance through "I.D.A." and other promotional means,  
22 controlled brand merchandise, etc., are some of the major  
23 ways in which Drug Trading assists its members. Individual  
24 counselling on such matters as store management policy,  
25 financing, relocating businesses, etc. are other ways in  
26 which Drug Trading is called upon just about every day  
27 by its members.

28 For the services of distributing manufacturers'  
29 merchandise, carrying the retailer credit risk, etc., the  
30 wholesaler works on a relatively inelastic "spread" or



is facing up to the challenge of new competition with a  
vigorous and aggressive merchandising approach.

RECOMMENDATIONS

Another important service rendered by the  
Trading to the Retail Pharmacies, and incidentally to the  
General public, was the facilitation in form of a store  
planning department. There was a need for professional  
advice on this subject, as more and more drug stores  
do realize the importance of modernizing their premises.  
It can be said that as "pharmacies" of the value of stores  
improvement, we were duty bound to provide the needed  
assistance. Counseling is done free by our experienced  
store planning staff, while our design crew is available  
at nominal rates to perform most of the labor involved  
in making store changes. In the few years of this department's  
existence, it has worked with hundreds and hundreds  
of our members. We believe it has been to a considerable  
degree responsible for the relatively high caliber of the  
activity of independent drug stores in this province.

Our assistance through "I.D.A." and other promotional means,  
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which Drug Trading assists its members. Initiating  
counseling on such matters as store management policy,  
financing, relocating businesses, etc., are other ways in  
which Drug Trading is called upon just about every day  
by its members.

For the service of disseminating merchandise,  
merchandise, carrying the retailer credit risk, and  
retailer works on a relatively flexible "spread" or





1 gross profit. In the U.S.A. the National Wholesale  
2 Druggists Association represents well over 50% of the  
3 wholesale drug business of that country. The 1960 survey  
4 figures published by this organization show an average  
5 over-all gross profit for its member houses of 17.26% on  
6 sales, with expenses of 13.67%, and net profit of 3.59%  
7 before income tax.

8 In Canada, the Dominion Bureau of Statistics'  
9 most recent tabulation available to date of Operating  
10 Results of Drug Wholesalers is for the year 1957. For all  
11 Canadian drug wholesalers in that year, the gross profit  
12 shown was 11.79%, total operating expenses were 9.78%,  
13 and net profit of 2.01% before income tax deduction.

14 Drug Trading Company figures for our full  
15 fiscal year ending in March, 1958, the nearest full year  
16 to the above D.B.S. figures, show our gross profit on  
17 sales to be 8.76%, our total operating expenses to be  
18 8.69% and our net profit before tax .07%. These figures  
19 are based on our net sales, that is, our gross sales,  
20 after all returns, reduced by the commissions returned to  
21 our customers.

22 However, our figures are on a comparable  
23 basis to those of "all Canadian drug wholesalers" in the  
24 D.B.S. tabulation, as, in the main, our competitors' gross  
25 sales figures are after the application of such discounts  
26 off the invoice or off the monthly statement as many of  
27 them allow to offset our commissions.

28 We would like to make the point that, assuming  
29 at least equal buying power producing at least equal net  
30 costs, the margin between our total sales and our cost of



Gross profit. In the U.S.A. the national Wholesale

Travellers Association represents well over 50% of the

Wholesale drug business of that country. The 1966 survey

figures published by this organization show an average

overall gross profit for its member houses of 17.5% on

sales, with expenses of 13.0%, and net profit of 4.5%.

In Canada, the National Business of Wholesalers

most recent publication available is the issue of September

Results of Drug Wholesalers for the year 1977. For all

Canadian drug wholesalers in that year, the gross profit

shown was 11.5%, total operating expenses were 9.0%

and net profit of 2.5% before income tax deduction.

Drug Wholesalers Company figures for our 1976

fiscal year ending in March, 1977, the nearest full year

to the above D.W.S. figures, show our gross profit on

sales to be 8.7%, our total operating expenses to be

8.6% and our net profit before tax 0.1%. These figures

are based on our net sales, that is, our gross sales,

after all returns, reduced by the commissions returned to

However, our figures are on a comparable

basis to those of "the Canadian drug wholesalers" in the

1976 publication, as, in the main, our competitors' gross

sales figures are after the application of such discounts

and the inclusion of all the monthly statements as many of

them allow to offset our competitive costs.

We would like to make the point that, according

to these equal buying power producing at least equal net

results, the margin between our total sales and our cost of



merchandise was 8.76% over approximately the same period that the same margin for all Canadian wholesalers was 11.79%, -- our expenses were 8.69% as compared to 9.78% -- and our net profit .07% as compared to 2.01%. D.B.S. figures published in 1955 compared to our results in the fiscal year ending March, 1956, show a similar picture. It bears out our contention that our basic creed is (and in practise we carry it out) to place merchandise in the hands of our retailers at the lowest possible prices.

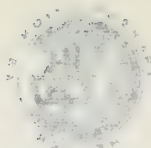
Looking at our operating figures before deduction of commissions paid back to our members, we find the following:

N.W.D.A. Wholesalers		Drug Trading Company	
Year 1960		Year ending March, 1961	
Sales	100%	Sales	100%
Gross Profit	17.26%	Gross Profit	17.8%
Total operating costs	13.67%	Total Operating costs	9.2%
Net profit (before income taxes)	3.59%	Net profit before payment of commissions	8.6%
		Rate of Commissions	8.6%
		Net profit before taxes	nil

We believe that the above figures tend to verify the point we have attempted to make previously as to the objectives and effectiveness of our operation.

It is worthy of note that in the early days the traditional retailer discount on proprietaries and patent medicines was 33 1/3% and the wholesaler discount 20% plus 2% for cash. (There were at that time few of the





merchandise was 8.75% over approximately the same period that the same margin for all Canadian wholesalers was 11.75% -- our expenses were 8.65% as compared to 9.75% -- and our net profit .07% as compared to 2.01%. D.B.S. figures published in 1955 compared to our results in the fiscal year ending March, 1956, show a similar picture. In fact our own contention that our basis cost is low in practice we carry it out to place merchandise in the hands of our retailers at the lowest possible prices. Looking at our operating figures before deduction of commissions paid back to our members, we find

M.W.C.A. Wholesalers		Price Trading Company	
Year 1955		Year 1956	
Sales	100%	Sales	100%
Net Profit	17.5%	Net Profit	17.5%
Total Expenses	13.6%	Total Expenses	9.7%
Net Profit (before income taxes)	3.5%	Net Profit before payment of commissions	
		Base of	8.5%
		Commissions	
		Net Profit before taxes	11%

we believe that the above figures tend to verify the point we have attempted to make previously as to the objective and effectiveness of our operation. It is worth noting that in the early days the traditional retailer discount on merchandise and net profit was 13.5% and the wholesaler's cost 20% plus 2% for cash. (There were at that time few of the



1 so-called pharmaceutical specialties, indeed few packaged  
2 cosmetic products). Today the profit obtained by the  
3 retail pharmacist on these lines is rarely as much as 30%  
4 of his selling price, based on wholesale invoice prices,  
5 while the wholesaler's gross margin has also diminished  
6 substantially.

7 THE ACTING CHAIRMAN: I wonder if we could  
8 have a five-minute recess.

9  
10 ---Short recess.

11  
12 THE CHAIRMAN: Mr. Fullerton tells me Mr.  
13 Legge was in the midst of his presentation. Would you  
14 proceed, please?

15 MR. LEGGE: Yes, sir. I believe I was on  
16 a point on page 12 of the brief where it reads:

17 Wholesaling costs in the drug field reflect  
18 circumstances that are peculiar to this field, such as:

19 (1) A tremendous number of products must be  
20 carried in inventory. To satisfy the needs of the medical  
21 profession, close to 10,000 pharmaceutical products are  
22 carried in our stock, and thousands more must be procured  
23 from time to time to fill specific needs. Additional  
24 thousands of products comprise our stocks of sick room  
25 supplies, first aid products, fine chemicals, essential  
26 oils, elastic support products, health appliances, pres-  
27 cription glassware, etc. Also in our inventory of some  
28 27,000 items are, of course, patents and proprieta es,  
29 toilet articles and cosmetics, confectionery, tobacco pro-  
30 ducts, sundries, and others. Certainly there are many







1 cases of duplication of brand names, but this is equally  
2 true in the fields of food products, electrical appliances,  
3 wearing apparel, etc., and this condition is, we believe,  
4 inherent in our democratic economic system.

5 We regularly purchase for inventory from a  
6 total of over 1400 different suppliers, in a number of  
7 cases importing from U.S.A., Great Britain and other  
8 countries. We now operate a total of 4 warehouses in  
9 Ontario to meet the Province's expanding needs, with the  
10 branch warehouses in Ottawa, Hamilton and London all  
11 carrying substantially the same number of items in inventory  
12 as our Toronto warehouse. Our total staff at October 31,  
13 numbered 785, including 14 graduates of the Ontario  
14 College of Pharmacy.

15 (2) We are required to obtain signed orders from  
16 duly licensed pharmacists in the stores of all our retail  
17 customers before processing orders for some 1387 items --  
18 452 narcotics, and 929 "Schedule G" drugs. On 273 so-  
19 called "straight" narcotics and 350 "straight" Schedule G  
20 drugs we must keep detailed records and report all receipts  
21 and disbursements to the Department of National Health  
22 and Welfare, Division of Narcotic Control, at Ottawa, every  
23 month. We are also required to record and control all  
24 orders for Rubbing Alcohol for the Department of National  
25 Revenue, Customs and Excise. Special restrictions in  
26 regard to handling and delivering or shipping straight  
27 narcotics must be carefully observed.

28 (3) Regulations by the Board of Transport  
29 Commissioners prescribe the way in which acids must be  
30 packed for shipment by freight or express, and such





1 products as these and the many fragile items of prescrip-  
2 tionware, etc., call for costly handling methods even  
3 when delivered by our own vehicles or other common carriers.

4 (4) Even the largest retail drug organizations  
5 have the need of the services of the wholesaler. We  
6 count among our customers G. Tamblyn Limited, the drug  
7 departments of T. Eaton Company and the Robert Simpson  
8 Company and the lessees of the drug departments of Towers  
9 Marts and the Sayvette organization. It is simply not  
10 economically sound for these drug organizations to purchase  
11 all lines direct, although they do purchase in this manner  
12 to a major degree. However, the small retail druggist must  
13 maintain a broad variety of stock to meet the needs of  
14 his community, and sound business practice dictates that  
15 he buy most items from the wholesaler in less than case  
16 lots.







1 An analysis of our sales shows that only  
2 about 9% of our invoice lines are for original case quanti-  
3 ties, the remaining 91% requiring to be "picked" in broken  
4 quantities and repacked in mixed cases for transfer to our  
5 customers. Earlier, we referred to the number of suppliers  
6 represented in goods assembled for two druggists' orders.  
7 On these orders only 16 out of 384 items, or 4%, were for  
8 case lots.

9 (5) The variety of pharmaceutical products,  
10 the number of variations in dosage forms and in strengths,  
11 the difficult nomenclature, the importance of observing  
12 dating on products, the necessity of refrigerating many  
13 of them, etc., are factors that make it necessary for us  
14 to employ a highly trained warehouse staff of considerably  
15 above average knowledge and experience to handle this  
16 branch of our business.

17 (6) Quick availability of pharmaceuticals  
18 can often save a life. Special service on mail orders,  
19 daily deliveries in urban areas, and keeping our warehouse  
20 open beyond normal hours are ways in which we help to speed  
21 up the flow of these essential products to the public via  
22 our customers' dispensaries.

23 The foregoing circumstances all contribute  
24 to the cost of performing the drug wholesaling function,  
25 which we believe to be not out of line with the value of  
26 the function performed.

27 We would mention here that it has long been  
28 the contention of the wholesale trade that discrimination  
29 exists against the wholesaler in the matter of the business  
30 tax as it is collected in Ontario. For business tax the



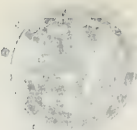




1 wholesaler is assessed on 75% of the assessed property  
2 value; the manufacturer who often sells direct to the  
3 retail trade in wholesale quantities is assessed on 60%;  
4 and the department store, which buys to a great extent as  
5 a wholesaler and sells as a retailer, is assessed on 50%.  
6 This discrimination has gone unadjusted since business tax  
7 was introduced here in 1904, despite many representations  
8 for equitable adjustment.

9                 Reference was made earlier to the fact that  
10 certain manufacturers do not allow the wholesaler a  
11 discount in recognition of services performed. In such  
12 cases, the wholesaler must add on his needed markup and  
13 sell to his retail customer at a price substantially  
14 higher than the retailer can purchase direct. However,  
15 minimum direct order requirements, immediate availability  
16 from the wholesaler and other considerations lead many  
17 retailers to purchase these goods from the wholesaler  
18 despite this price differential.

19                 Policies vary among manufacturers and are  
20 modified from time to time. Some have always sold only  
21 through the wholesaler, others allow the wholesaler a  
22 discount over and above the direct price but continue to  
23 solicit direct business from key accounts, while at the  
24 other extreme are those who attempt to sell direct as much  
25 as possible and even go so far as to sell retailers at  
26 lower prices, when everything is taken into account, than  
27 they sell to the wholesaler. To the best of our knowledge,  
28 however, in the pharmaceutical field, all the manufacturers  
29 do sell on some terms to the drug wholesaler, with the  
30 exception of one house which, for reasons unknown to us,



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retail trade in wholesale quantities is assessed on 50%;  
and the department store, which buys to a great extent of  
a wholesaler and sells as a retailer, is assessed on 50%.  
This discrimination has gone unadjusted since 1904, when  
it was introduced here in 1904, despite very considerable  
reference was made earlier to the fact that

in certain circumstances do not allow the wholesaler a  
discount in recognition of services rendered. In such  
cases, the wholesaler must add on his needed margin, and  
sell to his retail customer at a price substantially  
higher than the retailer can purchase direct. However,

from the wholesaler and other considerations lead many  
retailers to purchase these goods from the wholesaler

handled from time to time. Some have always sold only  
through the wholesaler, others allow the wholesaler a  
discount over and above the direct price but continue to  
solicit direct business from any account, while at the  
other extreme are those who attempt to sell direct as much  
as possible and even go so far as to sell occasionally at

lower prices, when everything is taken into account, than  
they sell to the wholesaler. To the best of our knowledge,  
however, in the pharmaceutical field, all the manufacturers

do sell on some terms to the retail trade, and the  
exception of one or two cases, the retail trade is not





1 will not sell its merchandise to Drug Trading Company.

2                   While we do not stock all items of all phar-  
3 maceutical manufacturers, we are prepared to carry any  
4 product for which there is demand. We have a policy of  
5 allowing manufacturers marketing to any reasonable extent  
6 in our trading area, the privilege of putting their new  
7 items in our stock as soon as on the market, a service  
8 enabling our members to serve the public quickly and  
9 efficiently. As previously mentioned, we will procure,  
10 or attempt to do so, any pharmaceutical product ordered  
11 from us, that is not stocked. Apropos of this, we would  
12 make it clear that as a wholesaler, we supply exactly what  
13 is ordered whenever possible. The question of generic  
14 versus trade name to us is not of major importance. If  
15 trade names are specified, we fill them. If an order  
16 calls for a correct chemical name of a drug and specifies  
17 the manufacturer, we fill the order accordingly. In our  
18 view, when the manufacturer's name is specified, along with  
19 the chemical name, this is no longer a generic name product  
20 but a branded product. If an item is ordered by generic  
21 name -- no maker specified -- we feel it our responsibility  
22 to decide which manufacturer's product to fill on the  
23 order. This is merely an extension of the point of view  
24 held by our directors, who are retail pharmacists, that a  
25 generic name drug should be dispensed at the retail level  
26 with the product the pharmacist decides is most suitable,  
27 and that when a proper chemical name appears on a prescrip-  
28 tion, if the maker's name is specified, it amounts to a  
29 trade name and the dispenser is bound to supply it accor-  
30 dingly. We believe that in many cases, the physician





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1 recognizes the problem of the pharmacist in being unable  
2 to stock a particular formula in all the brands in which  
3 it is marketed, and so, prescribes by generic name, knowing  
4 the pharmacist will dispense a brand in which he has full  
5 confidence.

6                   We would draw attention to the "perplexity"  
7 existing in the minds of many pharmacists today concerning  
8 the standards of pharmaceutical service that should be  
9 embraced by the retailer. Certain press reports quote the  
10 operator of a pharmacy to the effect that costs of pharma-  
11 ceutical service can be cut 25%. This apparently involves  
12 eliminating such services as pick-up and delivery of pres-  
13 criptions, accepting prescriptions from doctors by tele-  
14 phone, credit, refunds, etc. This spokesman, according  
15 to the press, however, states that such an operation does  
16 not take care of emergency cases -- they are left to the  
17 neighbourhood drug store. Is this, we ask, a proper phar-  
18 maceutical service? Not according to generally accepted  
19 standards. We would point out that the pick-up and delivery  
20 of prescriptions is a necessary adjunct of good service to  
21 the public: all too frequently, without this, the "bread-  
22 winner" of a family hit by illness would have to be absent  
23 from work in order to go to a pharmacy, have vital pres-  
24 criptions filled and return with them to his ailing family.  
25 Furthermore, in our years of close relationship with retail  
26 pharmacists, never have we known an instance where a patient  
27 seeking a prescription was refused for the lack of immediate  
28 funds to pay for it. When a member or potential member  
29 seeks counsel on the extent of the services he should offer  
30 the public, we are constrained to advise him to offer every



1 recognizes the problem of the pharmacist in being unable  
2 to stock a particular formula in all the brands in which  
3 it is marketed, and so, prescribed by generic name, known,  
4 We, however, will discuss a point in which we have full  
5 confidence.  
6 We would draw attention to the "generality"  
7 existing in the minds of many pharmacists today concerning  
8 the standards of pharmaceutical service that should be  
9 embraced by the retailer. Certain areas require quite the  
10 operation of a pharmacy to the effect that cost of phar-  
11 maceutical service can be cut 50%. This apparently involves  
12 eliminating such services as pick-up and delivery of pres-  
13 criptions, accepting prescriptions from doctors by mail,  
14 and, in fact, many other services which are not essential  
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29 seeks counsel on the extent of the services he should offer  
30 the public, we are constrained to advise him to offer every





1 possible service that can benefit the public in emergency  
2 situations.

3                   We believe that the prices of prescription  
4 drugs, even under standards of the fullest service, are  
5 not at all high in relation to the efficacy of prescription  
6 drugs today and in relation to other living costs. Apropos  
7 of this, we quote the following paragraphs from the August  
8 1961 issue of the Canadian Pharmaceutical Journal:

9                   "Twenty years ago, a case of lobar pneumonia  
10 meant five weeks in hospital, long convalescence, and \$300  
11 to \$500 for doctors, nurses, medicine, oxygen, and hospital  
12 care. Today, it usually means two weeks of illness,  
13 generally at home, and \$15 to \$30 cost for drugs.

14                   "Two decades ago, syphilis was an important  
15 cause of expensive illness. Today, it is brought under  
16 control with treatment by penicillin in the physician's  
17 office. Thirty years ago, treatment of mastoiditis cost  
18 at least \$1000, requiring surgery and possible permanent  
19 impairment of hearing. Today \$15 worth of antibiotics  
20 clears up most cases without surgery. (D.G. Cooley, "I  
21 Hate to Buy Drugs But --" (National Pharmaceutical Council,  
22 Inc. 1957))

23                   "The average cost per prescription in Canada  
24 has been rising from \$1.72 in 1950 to \$2.98 in 1959. (H.J.  
25 Fuller (ed.), The Canadian Pharmaceutical Association  
26 Annual Survey of Pharmacy Operation, The Canadian Pharma-  
27 ceutical Journal, September, 1960) However, the real cost  
28 of medication may not have been rising so dramatically.  
29 According to the Health News Institute, a factory worker  
30 thirty years ago would have to work ninety minutes to pay



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drugs today and in relation to other living costs. Accord-

ing to this, we quote the following paragraphs from the report

of the 1951 issue of the Canadian Pharmaceutical Journal:

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"Two decades ago, syphilis was an important

cause of expensive illness. Today, it is brought under

control with treatment by penicillin in the physician's

office. Thirty years ago, treatment of anaesthetics cost

\$100 to \$200, and the patient was in danger of death.

Today, it costs up most cases without surgery. (B.C. Weekly, "I

Have to Buy Drugs But --" (National Pharmaceutical Council,

June, 1957)

"The average cost per prescription in Canada

has been rising from \$1.75 in 1950 to \$2.98 in 1959. (F.C.I.

Report (ed.), The Canadian Pharmaceutical Association

Annual Survey of Pharmacy Operations, The Canadian Pharm-

aceutical Journal, September, 1960) However, the real cost

of medication may not have been rising so dramatically.

According to the Health News Institute, a factory worker

thirty years ago would have to work ninety minutes to pay





1 the average prescription cost: today, he would have to  
2 work eighty-six minutes. Even this overlooks the fact that  
3 the drugs purchased today are far more effective than  
4 those purchased thirty years ago".

5 Our belief is that pharmacy has been  
6 adversely affected by the dissemination across this land  
7 of an entirely unjustified portrayal of the retail pharma-  
8 cist as a person using his peculiar position on the health  
9 team to line his own pockets at the expense of the ailing  
10 public. On the other hand, we believe him to be a better-  
11 than-average small businessman and a professional man who  
12 is sincerely interested in the welfare of his customers,  
13 and the recompense for his professional services is not  
14 high.

15 In our operation as a wholly druggist-owned  
16 wholesale house, we have been able to assist our independent  
17 druggist members to secure a good living out of retail  
18 pharmacy, while at the same time bringing to the public  
19 those services which they desire and, at costs to the  
20 public in line with those resulting from the operations of  
21 the vast and well run corporate competitors.

22 In closing, we would like to quote the words  
23 of a writer in the publication Drug Trade News (March 20,  
24 1961) in summarizing the position of the drug wholesaler:

25 "While the wholesale drug business may be  
26 only another business to the untrained and uninformed,  
27 nevertheless it is truly an encyclopedic undertaking which  
28 demands an encyclopedic grasp of the complex economics of  
29 production and distribution as these bear upon the overall  
30 pharmacy field.







1 "The wholesale druggist must be in daily  
2 touch with the many segments of the pharmaceutical industry;  
3 the growing complexity of distribution; the underlying  
4 psychology of retail pharmacists and their mounting compe-  
5 titive problems; a close knowledge of drug industry pro-  
6 ducts, their sources, varieties and their distributional  
7 requirements; a day-to-day knowledge of the competitive  
8 pressures bearing upon the manufacturer, wholesaler and  
9 retailer and a sure-footed grasp of the basic economics  
10 of retail pharmacy operations".

11 Gentlemen, in closing may I offer an invita-  
12 tion to this Committee. If you so wish we would be  
13 delighted to have you visit our operation in Toronto and  
14 see for yourselves the operation of a wholesale drug  
15 company. Thank you.

16 MR. RICE: Mr. Legge, you are manager of  
17 the Toronto branch of Drug Trading Company Limited?

18 MR. LEGGE: I am that as well as Associate  
19 General Manager of the company.

20 MR. RICE: How long have you been manager  
21 of the Toronto branch?

22 MR. LEGGE: I should be able to tell you  
23 exactly, but I can only say it is about five years.

24 MR. RICE: How long have you been associated  
25 with Drug Trading Company Limited?

26 MR. LEGGE: 28 years.

27 MR. RICE: What qualifications did you have  
28 when you came to Drug Trading Company Limited?

29 MR. LEGGE: I joined the company on gradua-  
30 tion from the University of Toronto in 1933. I graduated



The wholesale drug business must be in better

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we are for your assistance and operation of a wholesale drug

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MR. RICH: How long have you been associated

with Drug Trading Company Limited?

MR. LEGGE: 28 years.

MR. RICH: What qualifications did you have

when you came to Drug Trading Company Limited?

MR. LEGGE: I joined the company as graduate

of the University of Toronto in 1917.





1 in Political Science and Economics.

2 MR. RICE: I understand that you have with  
3 you today in addition to your solicitor, Mr. Foster, also  
4 certain officers of Drug Trading Company Limited. You  
5 might introduce them to the Committee.

6 MR. LEGGE: Yes. Mr. Crawford Gould, Presi-  
7 dent of Drug Trading Company, Mr. Reg Cary, Managing  
8 Director of the company, Mr. Harry Jones, our General  
9 Manager.

10 MR. RICE: May any pharmacist or pharmacy  
11 join Drug Trading Company?

12 MR. LEGGE: Any pharmacy that is registered  
13 and in good standing with the provincial licensing body  
14 is free to apply for membership.

15 MR. RICE: When you sell your products, do  
16 you sell to others as well as to your members?

17 MR. LEGGE: We sell to no other retail  
18 stores than our own members. We do have a small industrial  
19 business and we do sell to some hospitals.

20 MR. RICE: You have some institutions you  
21 sell to, do you?

22 MR. LEGGE: Yes.

23 MR. RICE: Do you sell to them at the same  
24 price you sell to your members?

25 MR. LEGGE: Actually those hospitals that  
26 have a pharmacy and have a registered pharmacist in charge  
27 could become members and in that case they participate as  
28 members through the return on earnings. If not, we sell  
29 them at our wholesale list price.

30 MR. RICE: I note in your brief you also have



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best of Drug Trading Company, Mr. Hog Garry, Managing

Director of the company, Mr. Henry Jones, our General

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have a pharmacy and have a registered pharmacist in charge

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members through the return on earnings. If not, we sell

them at our wholesale list price.

MR. RICE:



1 set out on page 4 a number of services that you provide  
2 for your members. Have you a staff or some special depart-  
3 ment or training personnel that goes around and provides  
4 these services?

5 MR. LEGGE: I wouldn't say that all the  
6 services are handled every day on an organized basis. We  
7 do have a staff that is providing these, is offering or  
8 providing these services on a regular basis, but certain  
9 others are provided on request of the members.

10 MR. RICE: Would you for instance in the  
11 accounting record system, if they request assistance, do  
12 you obtain professional assistance for them?

13 MR. LEGGE: They are provided that assistance  
14 by members of our own staff, but those members are occupied  
15 in other ways at other times. They are not solely counsel-  
16 ling members on these problems.

17 MR. RICE: And this assistance that the  
18 member gets, is that free of charge to him or does he have  
19 to pay?

20 MR. LEGGE: No, that is free of charge.

21 MR. RICE: I note on page 3 you set out a  
22 decrease in your members from 1953 down to 38. Can you  
23 give the Committee any idea as to any reason that there  
24 would be a decrease in the number of members?

25 MR. LEGGE: Well, I can only speculate on  
26 that. I can't really give you a specific reason in  
27 various cases. I certainly feel in some cases because of  
28 the changing picture in certain areas that it was made  
29 unprofitable to continue in those areas. Perhaps there  
30 is a tendency for a small business, particularly in the





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MR. LEGG: They are provided that assistance by members of our own staff, but those members are occupied in other ways at other times. They are not solely concerned with members on these problems.

MR. RICE: And this assistance that the member gets, is that free of charge to him or does he have to pay?

MR. LEGG: No, that is free of charge. MR. RICE: I note on page 3 you set out a decrease in your members from 1923 down to 36. Can you give the Committee any idea as to any reason that there would be a decrease in the number of members?

MR. LEGG: Well, I can only speculate on that. I can't really give you a specific reason in various cases. I certainly feel in some cases because of the changing picture in certain areas that it was made unprofitable to continue in those areas. Perhaps there is a tendency for a small business, particularly in the



1 drug field, where the doors are open so long, it is pretty  
2 difficult for graduate pharmacists to keep a store quali-  
3 fied and keep it open that long to satisfy the public, if  
4 he is not doing enough business to have additional quali-  
5 fied help in his store.

6 MR. RICE: Would it be general that the  
7 number of pharmacists in Canada generally are reducing in  
8 number?

9 MR. LEGGE: I cannot answer that, Mr. Rice.

10 MR. RICE: On page 2 you refer to two  
11 examples of purchasing. I note that you had documents.  
12 Would you file those with the Secretary as exhibits to  
13 your presentation? They are those examples.

14 MR. LEGGE: Surely.

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your presentation? They are those examples.

MR. RICE: Thank you.





1 MR. RICE: And are those examples typical?

2 MR. LEGGE: Well, they are typical insofar  
3 as they are, shall I say typical large orders. We have  
4 many, many small orders but those are large orders coming  
5 in from customers from out of town where they do not  
6 order frequently. As to the distribution area, as to the  
7 point we attempted to make and the number of items, the  
8 proportion of different suppliers, the total number of  
9 items ordered, that would be typical I would say of all  
10 these.

11 THE CHAIRMAN: Mr. Legge now files with  
12 the secretary certain documents, what are they, Mr.  
13 Gadsby?

14 MR. GADSBY: These are copies of orders  
15 received by Drug Trading Company from the members of the  
16 Association.

17 THE CHAIRMAN: Without going into detail  
18 could you identify them for the record.

19 MR. GADSBY: Yes, an order for a pharmacy  
20 in northern Ontario dated October 24; another one from a  
21 southern Ontario pharmacy dated October 31. The first  
22 has 126 items and the other is 256 items.

23 MR. RICE: On page 5 and again on page 9  
24 you refer to advertisements. Would you describe to the  
25 Committee the type of advertisements you are referring to  
26 there that these houses were able to do?

27 MR. LEGGE: Well, on page 5 I am referring  
28 to the advertising being conducted by the competitors of  
29 the independent druggist.

30 MR. RICE: Would this be direct price



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1 advertising, advertising prices?

2 MR. LEGGE: Well no, as I point out at  
3 another stage, in those earlier days the advertisements  
4 were largely on patent and proprietary remedies. I would  
5 not say it applies to pharmaceutical products, it would  
6 be price so far as I refer to advertising of cut prices.

7 MR. BRYDEN: Would vitamins be a significant  
8 item in the products you are referring to?

9 MR. LEGGE: Well, not at this early stage  
10 because we did not have them but today they are significant.

11 MR. BOYER: Did Mr. Rice refer to the top  
12 of page 5 "Consumer advertising programmes"?

13 MR. LEGGE: Was that what you were referring  
14 to, the top line on page 5?

15 MR. RICE: No, I was referring to further  
16 down and I was curious as to whether or not there was a  
17 type of advertising carried on in 1890 which is not  
18 permissible today.

19 MR. LEGGE: It is very much the same ad-  
20 vertising today in the press and certain other media.

21 MR. RICE: And Mr. Boyer's question about  
22 the top of page 5, you offer assistance to your members  
23 in merchandising programmes, what would that consist of?

24 MR. LEGGE: We have an advertising depart-  
25 ment and for part of the time they are asked to assist,  
26 asked by one of our members to assist him in laying out  
27 a plan for advertising in his community and, again, we  
28 provide such service gratis to him.

29 MR. BOYER: There is nothing in the way of  
30 co-operative sharing of the costs?





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MR. BOYER: There is nothing in the way of

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1 MR. LEGGE: No. Well, I should qualify  
2 that perhaps: This I.D.A. plan that we refer to is a  
3 co-operative plan where a group of I.D.A. stores through  
4 our facilities obtain the advantages of group advertising  
5 and group promotional assistance and so on. We do not,  
6 however, supply co-operative advertising allowances in  
7 the normal sense that I think you are referring to.

8 MR. WHITE: But I.D.A. might put an ad and  
9 have a trailer with three local I.D.A. outlets, is that  
10 how it works?

11 MR. LEGGE: Yes.

12 MR. WHITE: You never give an advertising  
13 rebate of any kind?

14 MR. LEGGE: We did supply some areas -- in  
15 most areas we -- getting into this I.D.A. set-up, the  
16 I.D.A. members pay a fee and that fee covers a number of  
17 things including advertising in various media primarily,  
18 however, advertising in the Metropolitan newspapers, we  
19 will say.

20 MR. WHITE: So they do co-op?

21 MR. LEGGE: Yes, but they provide -- Drug  
22 Trading does not provide the money for it, the members  
23 jointly participating in their fees. There are some areas  
24 -- I will say too that Drug Trading does or the I.D.A.  
25 group which really operates in this area independent of  
26 Drug Trading do receive co-operative allowances from  
27 certain manufacturers.

28 MR. WHITE: Pharmaceutical houses?

29 MR. LEGGE: No, not pharmaceutical, no.

30 MR. BOYER: Manufacturers?

MR. LEGG: No, well, I should qualify

that perhaps: This I.D.A. plan that we refer to is a

co-operative plan where a group of I.D.A. stores through

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MR. LEGG: No, not pharmaceutical, no.





1 MR. LEGGE: Certain manufacturers in the  
2 area of proprietary remedies, cosmetics and so on.

3 MR. RICE: Does Drug Trading do a certain  
4 amount of manufacturing as well as wholesaling?

5 MR. LEGGE: We have this manufacturing  
6 subsidiary that does produce and package household drugs  
7 and remedies, also pharmaceutical products.

8 MR. RICE: And does that manufacturing business  
9 market its products solely through Drug Trading or does it  
10 sell to other wholesalers and retailers direct?

11 MR. LEGGE: Apart from doing a certain limited  
12 amount of custom manufacturing for other manufacturers  
13 their output is all through Drug Trading.

14 THE CHAIRMAN: In what areas of drugs would  
15 the manufacturing occur?

16 MR. LEGGE: Well, it broadly breaks down  
17 into two classifications, one classification is counter  
18 sale items in the household drug and remedy area and the  
19 second broad classification ---

20 THE CHAIRMAN: Could you give an example?

21 MR. LEGGE: Mineral Oil, Cough mixtures and  
22 Epsom Salts, Olive Oil, et cetera. The other broad  
23 classification is pharmaceuticals and they are basically  
24 products used even today in compounding prescriptions  
25 such as liquid extracts, elixirs, tinctures, certain  
26 ointments and so on and a few of what we call specialties.

27 MR. BRYDEN: What are some of your spe-  
28 cialties?

29 MR. LEGGE: We have -- when I say specialties,  
30 they are simply really very much akin to the other



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MR. RICE: What are some of your spe-

cialties? We have -- when I say specialties.



1 merchandise, the manufactured items. We have given them  
2 trade names rather than sell under the generic name. I  
3 could mention one, for instance, we have Sapovir, which is  
4 a liquid soap and then we have a children's cough  
5 mixture, Melasyl.

6 MR. BRYDEN: Do you have any items, specialties  
7 that would be available only on prescriptions?

8 MR. LEGGE: I would not say there are any  
9 in our line that are available only on prescription; they  
10 might be prescribed and in some instances I am quite sure  
11 they are prescribed.

12 MR. BRYDEN: But any person could buy them  
13 from the druggist without a prescription?

14 MR. LEGGE: Now, there may be a few of those  
15 specialties, I would not say for sure, that would be  
16 largely on prescription, but I would think that most of  
17 them are also -- they are freely sold over the counter.  
18 In other words, they are not the type of prescription that  
19 can only be sold --

20 MR. BRYDEN: A doctor may recommend them but  
21 he does not have to write out a prescription unless he  
22 wishes?

23 MR. LEGGE: Yes, particularly in the case  
24 of the cough syrup where we usually sell that in gallons  
25 and the pharmacist would re-bottle it in four or six ounce  
26 bottles and he might have approached some of his doctors  
27 about prescribing it.

28 MR. RICE: When you purchase from manu-  
29 facturers do you purchase at a discount from his suggested  
30 sales price?





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MR. RICE: When you purchase from manu-

facturers do you purchase at a discount from his suggested

retail prices



1 MR. LEGGE: You are referring to the  
2 pharmaceutical manufacturers?

3 MR. RICE: Yes, pharmaceutical.

4 MR. LEGGE: Well, in most case the manu-  
5 facturer has a suggested list price and he will allow us  
6 certain discounts off that price and we are billed on that  
7 basis.

8 MR. RICE: Could you tell us what the range  
9 of those discounts are, what they would average out to?

10 MR. LEGGE: Well, I do not think from the  
11 suggested list price, I would think that the price to us  
12 would in pharmaceutical products would run from 40% up-  
13 wards.

14 MR. RICE: Up to what?

15 MR. LEGGE: Possibly up to 40 and 20.

16 MR. RICE: That is 40 plus an additional  
17 20%?

18 MR. LEGGE: 20 after the 40 is taken off,  
19 yes.

20 THE CHAIRMAN: Let us put it this way, that  
21 your purchasing power and your distributing service which  
22 you offer to your own members and shareholders, you would  
23 be in a position to bargain and one would expect you  
24 would get a better price than a direct sales from the manu-  
25 facturer to a retailer?

26 MR. LEGGE: I would not suggest that the  
27 difference between 40 and 40 and 20 is due to bargaining,  
28 it is due to manufacturer's policy.

29 MR. WHITE: You indicated earlier you did  
30 price these prices out a little so there must be some



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MR. RICE: Up to what?

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MR. RICE: That is 40 plus an additional

20%?

MR. LEGER: 20 above the 40 is taken off.

Yes.

THE CHAIRMAN: Let us put it this way, that

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you offer to your own members and wholesalers, you would

be in a position to bargain and one would expect you

would get a better price than a direct sales from the manu-

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difference between 40 and 40 and 50 is due to bargaining.

It is due to manufacturer's policy.

MR. WHITE: You indicated earlier you did

not have prices out a little so there must be some





1 bargaining.

2 MR. LEGGE: Well, let us admit that.

3 Actually we would admit to influencing the manufacturer to  
4 extend to all wholesalers a larger spread, a larger market  
5 which would be reflected back as far as we are concerned  
6 in the lower cost to the retailer and ultimately to the  
7 consumer.

8 MR. RICE: Then you sell to the retailer  
9 at the same suggested list price of the manufacturer less  
10 a certain discount?

11 MR. LEGGE: Well, if the manufacturer is  
12 selling to us at say 40 in all likelihood he is selling to  
13 the retail trade with the same discount and in such case  
14 we would make our own price and mark-up. Place a mark-up  
15 on that merchandise that we would feel necessary in order  
16 to handle the business in order not to lose and be  
17 competitive with other wholesalers. Where he is offering  
18 40% spread for a retailer to work on then giving a whole-  
19 saler a discount but we would likely sell at his regular  
20 -- we would sell to our customer at the less, say if he  
21 was giving us 40 and 20 then we would sell at 40.

22 MR. RICE: Which is the more common practice,  
23 selling 40 less wholesaler's discount?

24 MR. LEGGE: Well, I could not say in terms  
25 of volume of business or really actually in terms of number  
26 of manufacturers involved. There are quite a number that  
27 sell direct at the same price that they sell to us and  
28 others that give us varying discounts up to what we con-  
29 sider a full wholesaler discount. In other words, there  
30 are areas in between that manufacturers sell to us at the

MR. LEECH: Well, let us admit that.

Actually we would admit to increasing the manufacturer's  
extend to all wholesalers a larger spread, a larger margin  
which would be reflected back as far as we are concerned  
in the lower cost to the retailer and ultimately to the  
consumer.

MR. RICE: Then you sell to the retailer  
at the same suggested list price of the manufacturer plus  
a certain discount?

MR. LEECH: Well, if the manufacturer is  
selling to me at say 60 in all likelihood he is selling to  
the retail trade with the same discount and in such cases  
we would make our own price and margin. There a margin  
on that merchandise that we would feel necessary in order  
to handle the business in order not to lose and be  
competitive with other wholesalers. Where he is offering  
40% spread for a retailer to work on then giving a whole-  
seller a discount and we would likely sell at the regular  
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was giving us 40 and 20 then we would sell at 40.

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are areas in between that manufacturers sell to us at the



1 same price that he sells to the retailer and the manu-  
2 facturer but gives the wholesaler a wholesale discount.  
3 There are others in between, some might get 40 and 10 in  
4 which case we might give a third off or something like  
5 that.

6 MR. BOYER: You said something about these  
7 lower costs to the consumers and I do not quite understand  
8 how that can be. If there were a money discount to your  
9 firm would this make the selling price to the retailer  
10 lower and is that passed on, do you think, to the consumer?

11 MR. LEGGE: Well, that one specific item  
12 it might be hard to see that but over the whole picture  
13 the fact that we obtain lower costs enables them to com-  
14 pete with other retail outlets who are possibly capable  
15 of or prepared to offer lower prices and in order to com-  
16 pete they must move their margin of profit down.

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1 MR. TROTTER: Mr. Legge, on page 9 you mention  
2 that there are a number of drugs that you still keep in  
3 stock because the medical profession asks for them but that  
4 the large companies now do not make them. How heavy a  
5 cost is this on your firm?

6 MR. LEGGE: Well, I couldn't say exactly but  
7 I refer there to, for instance, this line of pharmaceuticals  
8 we supply for the dispensary, the amount of dispensing  
9 done -- and compounding done in the dispensary of the  
10 retail drug store today is much less than it used to be.

11 However, the druggist still requires to have  
12 his tinctures and elixirs for the limited number of  
13 prescriptions that are compounded and we keep these items  
14 in our line, whereas other manufacturers, in some cases,  
15 have gone out of those lines.

16 MR. TROTTER: Well, would I be correct in  
17 assuming that the type of products that you try to keep  
18 in stock, that are no longer in fashion, that they aren't  
19 the antibiotics. They aren't to cure arthritis or things  
20 like that?

21 MR. LEGGE: They are not including specifics,  
22 no. They are to quite an extent, when I speak of un-  
23 profitable items it does not include those in declining  
24 demand or declining importance.

25 MR. WHITE: The drug manufacturers indicated  
26 to us that they provide that service and stock all kinds  
27 of unprofitable items.

28 MR. LEGGE: I wouldn't doubt they do.

29 MR. TROTTER: Some of them do not?

30 MR. LEGGE: That is right.

MR. TROTTER: Mr. Ledger, on page 9 you mention

and there are a number of drugs that you still keep in stock because the medical profession asks for them but the large companies now do not make them. How heavy a load is this on your library?

MR. LEDGER: Well, I couldn't say exactly but

I refer there to, for instance, this line of pharmaceuticals we supply for the dispensary, the amount of dispensing here -- and compounding done in the dispensary of the retail drug store today is much less than it used to be. However, the druggist still requires to have

his tinctures and elixirs for the limited number of prescriptions that are compounded and we keep these items in our line, whereas other manufacturers, in some cases, have gone out of these lines.

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MR. TROTTER: Some of them do not?

MR. LEDGER: That is right.





1 MR. RICE: Turning to the manufacturer's  
2 list price, you are not compelled to adhere to the manu-  
3 facturer's suggested list price, are you?

4 MR. LEGGE: No, we are not.

5 MR. RICE: Do you very often vary from it?

6 MR. LEGGE: Well, that is relative. It's  
7 pretty hard to answer that. We do on certain lines make  
8 our own prices and have deviated from the manufacturer's  
9 list price for various reasons, competitive reasons, for  
10 reasons considering that they have not provided enough  
11 wholesale discounts for us to operate on, and other  
12 factors.

13 MR. RICE: Would this be in very few instances  
14 that you would vary from the manufacturer's suggested  
15 price?

16 MR. LEGGE: Well as I intimated, where they  
17 sell to us at the same price as they sell to the retailer,  
18 they have no suggested price for us to resell.

19 THE CHAIRMAN: Would it not be true that in  
20 the end result it would not matter whether you sold a  
21 hundred per cent provided that the profits your company  
22 makes are distributed to your member or shareholder firms?  
23 And then they in turn would not only have their profit  
24 from their operation, be it great or small, but they  
25 would have this dividend cheque to take into account as  
26 an item of pure revenue. Then it becomes a matter for the  
27 retailer, or your member firm, to determine after he gets  
28 his dividend just what he is going to establish as his  
29 mark-up price. In a net result, in the broad picture  
30 surely it doesn't make that very much difference does it?



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list price on many occasions. I think it is

reasonable considering that they have not provided enough

wholesale discounts for us to operate on, and other

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surely it doesn't make that very much difference does it?



1 MR. LEGGE: As to what level we set our  
2 prices at?

3 THE CHAIRMAN: Yes, because profits will go  
4 back to the member organization.

5 MR. LEGGE: Well there is the factor sir,  
6 that our competitors are offering similar inducements.

7 THE CHAIRMAN: Do they offer bonus returns?

8 MR. LEGGE: Well as we suggest in our brief  
9 they may offer something similar to our commission as a  
10 discount from statements. We have to keep business coming  
11 in. Even our own members aren't required to buy everything  
12 from us. THE CHAIRMAN: I take it that the manufacturers  
13 are carrying on a forceful competition to sell directly  
14 to the retailer in competition with you?

15 MR. LEGGE: Well we are to a degree in com-  
16 petition with the manufacturers, certainly.

17 THE CHAIRMAN: I suppose there is another  
18 factor involved in this too that the profits that your  
19 limited company would make would be subject to corporate  
20 taxation, wouldn't it?

21 MR. LEGGE: Well, as a co-operative we are  
22 permitted to pay back our just commissions, and we do.  
23 As these figures would indicate, we do do that. We keep  
24 very little, reserve very, very little so our taxes are  
25 pretty low.

26 THE CHAIRMAN: In that broad sense then the  
27 word "co-operative" would well apply to your operation?

28 MR. LEGGE: I would say yes sir.

29 THE CHAIRMAN: Then my original premise  
30 and proposition was reasonably accurate that in the end





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THE CHAIRMAN: In what broad sense then the

word "co-operative" would well apply to your operation?

MR. LEGER: I would say yes sir.

THE CHAIRMAN: I am glad to hear that.

and proposition was reasonably accurate that in the end



1 result a retail member of your organization wouldn't  
2 matter too much what he paid because he is going to get  
3 his proportion of the profit back based on his purchasing  
4 volume?

5 MR. LEGGE: That would be true. I would  
6 be inclined to agree with that provided we get the business,  
7 regardless.

8 THE CHAIRMAN: Well to the extent that he  
9 purchased from you it would apply wouldn't it?

10 MR. LEGGE: Yes, if he bought the same amount  
11 one way or the other it would make very little difference,  
12 but depending upon our price -- there is an inclination,  
13 we will say, for him to buy elsewhere if he can. For  
14 instance, if our prices were unduly high he might well  
15 buy elsewhere and get the immediate benefit say of the  
16 difference rather than wait until we pay him back his  
17 earnings some months later.

18 THE CHAIRMAN: Then in an economical sense  
19 we are really talking about the forces of competition?

20 MR. LEGGE: I would say so.

21 THE CHAIRMAN: I was really interested in  
22 your brief in one proposition which is somewhere around  
23 page 15 that one manufacturer doesn't care to permit his  
24 products to be distributed through you. Is that a well-  
25 known manufacturer or is he in business in a large way?

26 MR. LEGGE: Well, it is, yes indeed. I  
27 would hesitate to mention the firm. I don't think it  
28 would do us any good or it would be of any great signifi-  
29 cance to this Committee. I can certainly give it to the  
30 Committee in confidence.



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 his proportion of the profit back based on his purchasing  
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MR. LEGGE: Yes, that would be true. I would

be inclined to agree with that provided we get the business  
 ourselves.

THE CHAIRMAN: Well to the extent that we

have passed from you it would apply, wouldn't it?

MR. LEGGE: Yes, it is possible we have some

one way or the other it would make very little difference

and depending upon our price - there is an illustration

we will say, for him to say - therefore it is not for

himself, if our prices were higher than he would want

any assistance and for the illustration itself say of this

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business would make a lot.

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would hesitate to mention the firm. I don't think it

would do us any good or it would be of any great signifi-

cance to this Committee. I can certainly give it to the

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1 THE CHAIRMAN: Is it a firm of significance  
2 in the industry?

3 MR. LEGGE: Oh, yes.

4 THE CHAIRMAN: On a Canada-wide basis?

5 MR. LEGGE: Yes, it is.

6 THE CHAIRMAN: Are they a firm which -- I  
7 suppose this sounds like "What's My Line" programme. I  
8 am not trying to get at the name but I am trying to  
9 establish the importance of the firm. Do they have research  
10 facilities?

11 MR. LEGGE: Well yes, they are one of the  
12 major pharmaceutical manufacturers.

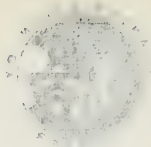
13 MR. WHITE: Every druggist in Canada must  
14 know the name of the firm so it can't be a secret?

15 MR. LEGGE: I would say so.

16 MR. WHITE: So why don't you tell us?

17 THE CHAIRMAN: I might just digress and tell  
18 you one of the interesting conclusions or observations  
19 that I would have to make about these Committee hearings  
20 and they are not directed at you, Mr. Legge, but in a broad  
21 sense is that there is not anything about this subject,  
22 the cost of drugs and the implication involving the pro-  
23 blems of detailmen, the cost of research, the amounts  
24 spent on sales and advertising and all of the factors that  
25 go into this subject that has not been dealt with in  
26 detail in all publications, press and newspapers, magazines  
27 on the North American continent in the last ten years and  
28 yet the parties to these hearings would make it appear  
29 that this is a great big dark secret.

30 MR. LEGGE: Well I suppose there is no great



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you one of the interesting conclusions or observations

that I would have to make about these companies' research

and they are not directed at you, Mr. Lodge, but in a broad

sense is that there is not anything about this subject.

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of development, the cost of research, the amount

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yet the parties to these hearings would make it appear

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MR. LODGE: Well I suppose there is no great



1 reason not to mention the firm name. If you would care  
2 to have me do so, I will do it.

3 THE CHAIRMAN: I won't order you to give it.  
4 If you would care to give it in the light of my remarks ---

5 MR. LEGGE: Well as I say, we don't know  
6 what their reasons are for not using us and so as their name  
7 indicates it is important. It's the Eli Lilly Company.

8 MR. WHITE: Well this brief that was pre-  
9 sented by the National Drug and Chemical Company, Lilly  
10 is shown as one offering the highest percentage of profit  
11 in the land.

12 MR. LEGGE: I don't know what their set-up  
13 is there, sir, and I couldn't answer that.

14 MR. WHITE: Lilly are itself offering firms  
15 40 - 16-2/3 and 2, and the firm sells to retailers at  
16 40 and 2 leaving a gross margin on sales of 16.7.

17 MR. LEGGE: I believe there are several  
18 firms that may not be listed there because I don't imagine  
19 that is a complete list. In fact, it was said it was not.  
20 There are other firms that are giving a greater wholesale  
21 discount than that.

22 MR. WHITE: But Lilly sells to these whole-  
23 salers and not to your wholesaling company is that correct?

24 MR. LEGGE: That is right.

25 MR. WHITE: It isn't that they sell direct  
26 only?

27 MR. LEGGE: No sir. They don't sell direct.  
28 They sell only through wholesalers.

29 MR. WHITE: But not through you?

30 MR. LEGGE: Not through us.



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MR. LODGE: Well as I say, we don't know

what their reasons are for not taking us and so we cannot

indicate it is important. It's the Mill Valley Company.

MR. WHITE: Well that's what they were given

by the National Drug and Chemical Company, Mill

is shown as one offering the highest percentage of profit

in the land.

MR. LODGE: I don't know what their set-up

is there, sir, and I couldn't answer that.

MR. WHITE: Mill is itself offering firms

40 - 12-2 1/2 and 2, and the firm sells to retailers at

40 and 2 leaving a gross margin on sales of 12 1/2.

MR. LODGE: I believe there are several

firms that may not be listed there because I don't imagine

that is a complete list. In fact, it was said it was not.

There are other firms that are giving a greater wholesale

discount than that.

MR. WHITE: And Mill sells to those who

buy and not to your wholesaling company is that correct?

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MR. LODGE: No sir, they don't sell direct.

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1 THE CHAIRMAN: I think that is a rather --  
2 quite frankly, I am glad you declared that because I think  
3 that is a rather important observation that the public  
4 of this Province would be interested in because, quite  
5 frankly, the I.D.A., as many of us know, have a very  
6 favourable name with the public of this Province and to  
7 think that one wholesaler has black-listed you is astounding  
8 to me.

9 MR. WHITE: That is the privilege of free  
10 enterprise.

11 THE CHAIRMAN: I suppose.

12 MR. LEGEE: As I say, we don't know the  
13 reason.

14 THE CHAIRMAN: That is the point that is  
15 being raised in this Committee, that the importance of  
16 the subject of drugs goes beyond the system and it is a  
17 matter of public importance. That is one of the things  
18 we are trying to consider. However, we will be able to  
19 draw these conclusions at a later date.

20 MR. WHITE: I have got a couple of questions  
21 here, Mr. Chairman, if I may.

22 THE CHAIRMAN: Are we interrupting you unduly,  
23 Mr. Rice?

24 MR. RICE: No.

25 MR. WHITE: I can postpone my questions, if  
26 Mr. Rice has some more questions.

27 MR. RICE: I haven't any. There was just  
28 one other. I can follow Mr. White.

29 MR. WHITE: You have certain customers who  
30 are members, and certain customers who are not members,



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are members, and certain customers who are not members.





1 correct?

2 MR. LEGGE: We only sell to retail customers,  
3 retail pharmacists that are members. I have mentioned  
4 that we do have some industrial and hospital business,  
5 to non-members.

6 MR. WHITE: Is Eaton's a member?

7 MR. LEGGE: Yes, they are. Their Drug  
8 Department is a member.

9 MR. WHITE: What restraints do you place  
10 on your members to buy from you in preference to other  
11 wholesalers?

12 MR. LEGGE: There are no obligations for a  
13 member to buy from us.

14 MR. WHITE: Does his commission depend,  
15 in part, on his volume purchase?

16 MR. LEGGE: His retail commission, apart from  
17 the fact that the commission depends upon our earnings,  
18 his rate of commission depends upon the amount of his  
19 investment. As was mentioned in the brief, if they invest  
20 with our company from \$480.00 to the maximum of \$1,920.00  
21 they get the highest rate of commission.

22 MR. WHITE: What is that?

23 MR. LEGGE: It's average -- the figures  
24 I gave here for last year average 8.6%. The highest rate  
25 -- I should say that there are certain lines that we do  
26 not sell on commission basis. They are sold net but the  
27 commissions run from I think it is 7½% to 10% based on  
28 the amount of investment, and as I say, that applies not  
29 on our entire sales volume.

30 MR. WHITE: So he gets 4% on the money he

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MR. WHITE: So he gets 4% on the money he



1 places with you?

2 MR. LEGGE: That is right.

3 MR. WHITE: And his commission, it is a  
4 monthly commission statement is it?

5 MR. LEGGE: No, it is paid back twice a  
6 year.

7 MR. WHITE: It varies depending on the amount  
8 of money he has invested in the company?

9 MR. LEGGE: The rate is dependent on the  
10 amount of money. The total volume is dependent upon the  
11 rate times his purchase.

12 MR. WHITE: Is that terminal 10% in addition  
13 to that semi-annual dividend? I mean, for instance, this  
14 other wholesale company is giving 40 - 10, 25 - 10, 35-10,  
15 and so on.

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and so on.



dpw

1 MR. LEGGE: I would suggest that probably or  
2 possibly the 10 referred to there with their dividends,  
3 in addition to 40 is off their statement. We would bill  
4 it out at 40 and in terms of 10 possibly or somewhat less  
5 than that as commission.

6 MR. WHITE: Semi-annually?

7 MR. LEGGE: Yes.

8 MR. WHITE: Are all the services you  
9 described to us provided free or do you charge for some  
10 of them?

11 MR. LEGGE: There are some that we make a  
12 modest charge for. I referred to our store planning  
13 set-up crew. We charge for their time. Most of the  
14 services listed on pages 4 and 5 are provided free.

15 MR. WHITE: Do you buy from Jules Gilbert?

16 MR. LEGGE: We don't carry their line of  
17 stock. We do procure items of that company.

18 MR. WHITE: Why don't you stock their  
19 products?

20 MR. LEGGE: We haven't had enough demand  
21 from our customers.

22 MR. WHITE: Do you sell to the mail order  
23 pharmacy here in the city?

24 MR. LEGGE: No, they are not members of ours.

25 MR. WHITE: Have they applied for membership?

26 MR. LEGGE: I don't believe so.

27 MR. WHITE: Would you admit them to member-  
28 ship?

29 MR. LEGGE: I couldn't answer that. That  
30 would up to the Board of Directors.



I would suggest that probably on

possibly the 10 referred to there with their dividends,

in addition to 40 is off their statement. We would bill

it out at 40 and in terms of 10 possibly or somewhat less

than that as commission.

MR. WHITE:

MR. LEGGO: Yes

described to us provided free on 40 you can see for some

of them?

MR. LEGGO: There are some that we make a

modest charge for. I referred to our store planning

set-up crew. We charge for their time. Most of the

services listed on pages 4 and 5 are provided free.

MR. WHITE: Do you pay from Jules Gilbert?

MR. LEGGO: We don't carry their line of

stock. We do procure items of that company.

MR. WHITE: Why don't you stock their

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1 MR. WHITE: What are your terms?

2 MR. LEGGE: Our terms are cash in seven  
3 days.

4 MR. WHITE: What if a retailer takes 60  
5 days?

6 MR. LEGGE: Well, we charge an interest on  
7 overdue accounts. We put them on a C.O.D. basis when his  
8 account gets to a certain point.

9 MR. WHITE: What are your receivables as a  
10 percentage of annual sales?

11 MR. LEGGE: Well, I could calculate that.  
12 I can tell you our receivables average about 11 days'  
13 business. 10 to 11 days.

14 MR. WHITE: What are the deals you mention?  
15 What does that mean?

16 MR. LEGGE: Deals, well, very frequently -  
17 and this does not apply primarily in pharmaceutical areas -  
18 but there are many occasions in promotional items where a  
19 manufacturer will have a deal with the retailer which he  
20 sells to the retailer through us.

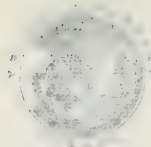
21 MR. WHITE: That is a special commission at  
22 a certain time of the year?

23 MR. LEGGE: It could be an extra discount  
24 or something of that nature.

25 THE CHAIRMAN: Would that sort of a deal  
26 proposition be confined to items such as soap, toothpaste  
27 and shaving lotion?

28 MR. LEGGE: Not entirely.

29 THE CHAIRMAN: Does it enter the realm of  
30 drugs with which we are concerned?



MR. LEGGE: Our terms are cash in seven

MR. WHITE: What if a retailer takes 60

30 days?

MR. LEGGE: Well, we charge an interest on  
overdue accounts. We put them on a U.O.D. basis when the  
account gets to a certain point.

MR. WHITE: What are your receivables as a  
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proposition be confined to items such as soap, toothpaste

and shaving lotion?

THE CHAIRMAN: Does it enter the realm of



1 MR. LEGGE: Not to a substantial degree.  
2 I would say it does go into that field somewhat. There  
3 are certain items, you know, that are both sold over the  
4 counter and prescribed. There could be - I can't state a  
5 specific instance - there could be occasions when a manu-  
6 facturer of an item that is sold to a great extent over  
7 the counter might provide a promotional plan for the  
8 retailer similar to what might be offered on a cosmetic  
9 product.

10 THE CHAIRMAN: Well, certainly it would not  
11 be in the field of drugs that requires a prescription?

12 MR. LEGGE: I would say it is very unlikely  
13 to be on items that are sold only on prescription.

14 THE CHAIRMAN: What I am trying to get at -  
15 I want to get the accuracy established with respect to  
16 your evidence - on an item like vitamins which anyone can  
17 buy if you go in the store, that might be subject to a  
18 deal?

19 MR. LEGGE: Oh, yes. I would say though  
20 that items that are confined to sale by prescription, it  
21 would be most rare, and I can't think of instances where  
22 they are subject to promotional deals.

23 MR. WHITE: Your subsidiary makes pharmaceu-  
24 tical products as well as patent medicines?

25 MR. LEGGE: We make pharmaceuticals and  
26 household drugs. They are not patent medicines. We don't  
27 have a patent number on them.

28 MR. WHITE: Do you make or copy or provide  
29 Meproamate, for example, under your own label?

30 MR. LEGGE: No, we do not.



MR. LEGGE: Not to a substantial degree.

I would say it does go into that field somewhat. There are certain items, you know, that are both sold over the counter and prescribed. There could be - I can't state a specific instance - there could be occasions when a manufacturer of an item that is sold to a great extent over the counter might provide a promotional plan for the retailer similar to what might be offered on a cosmetic product.

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MR. LEGGE: Oh, yes. I would say though

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MR. WHITTE: Your subsidiary sales pharmacist

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MR. LEGGE: He makes pharmaceuticals and

household drugs. They are not patent medicines. We don't have a patent number on them.

MR. WHITTE: Do you have or copy or provide

Meophamate, for example, under your own label?

MR. LEGGE: No, we do not.



1 MR. WHITE: Do you supply some well-known  
2 drugs like that, with your own label? I am not that  
3 familiar with the names.

4 MR. LEGGE: We supply some well-known drugs,  
5 whether you consider them like that or not is a matter  
6 that I wouldn't like to judge. We sell, for instance,  
7 phenobarbital.

8 MR. WHITE: How would your price compare  
9 with the branded drugs?

10 MR. LEGGE: I would say phenobarbital is  
11 sold by a number of manufacturers under that name. I  
12 imagine it is also sold by some of them under a trade  
13 name. I would say generally speaking our prices are low,  
14 without saying they are necessarily the lowest.

15 MR. WHITE: Do you sell to hospitals that  
16 are not members?

17 MR. LEGGE: Yes, we do.

18 MR. WHITE: How do you charge them, the  
19 wholesale price?

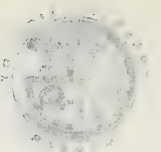
20 MR. LEGGE: We charge them our regular  
21 invoice price.

22 MR. WHITE: They don't get commission?

23 MR. LEGGE: They get no commission returned.  
24 Mind you, it was mentioned here earlier there is an adjust-  
25 ment in regard to sales tax; they are able to buy and they  
26 are licensed, and that is looked after.

27 MR. WHITE: If they have a pharmacist, can  
28 they be a member?

29 MR. LEGGE: If they have a pharmacist in  
30 the dispensary.



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MR. WHITE: If they have a pharmacist, can

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the dispensary.





1 MR. WHITE: Then they would get 40 and 11  
2 for sales tax and they would get commission also?

3 MR. LEGGE: They would get the regular -  
4 whatever the discount might be, whether it is 40 or not,  
5 on the specific line they were purchasing. They would get  
6 relief from the sales tax and they would also participate  
7 in our earnings.

8 MR. WHITE: What discount do you give for  
9 sales tax on sales tax-exempt purchases?

10 MR. LEGGE: 8.6%.

11 MR. WHITE: You mention in your brief new  
12 products put in stock immediately whenever the manufacturer  
13 comes out with a new product. Is that on the condition  
14 you can return the full product?

15 MR. LEGGE: Yes, that is part of the agreement.

16 MR. WHITE: So they could put in unlimited  
17 supplies; you wouldn't care?

18 MR. LEGGE: I wouldn't say that. We would  
19 exercise some discretion in regard to how much they put  
20 in.

21 MR. WHITE: But you would have no reluctance  
22 to putting some quantity of every new product, knowing  
23 that you could return it if it wasn't required by your  
24 members?

25 MR. LEGGE: Only if we have some assurance  
26 there is going to be a demand for it. We know from our  
27 experience what companies can be expected to go out and  
28 create a demand by securing the favour of the doctors in  
29 prescribing those products.

30 MR. WHITE: Now, are you similarly privileged



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MR. LEGGE: Only if we have some assurance

MR. WHITE: Now, are you similarly privileged



1 to return obsolete or slow-moving drugs to a manufacturer?

2 I am not thinking of new products particularly.

3 MR. LEGGE: Well, there is no standard  
4 policy in that respect, I don't believe. Some, yes, and  
5 others, no.

6 MR. WHITE: The Pharmaceutical Manufacturers'  
7 Association indicated they are very lenient in this policy,  
8 taking back goods for full credit. That has not been  
9 your experience?

10 MR. LEGGE: Well, I would say for one thing  
11 with respect to us, we do not attempt at any time to send  
12 back opened containers. We are more likely to get them  
13 back for credit. I don't think any other pharmaceutical  
14 manufacturer will take back an open container, and that  
15 is one of the privileges the retailer has.

16 They may take back outdated merchandise in  
17 the original container, but not the opened product. He  
18 may fill one prescription for 16 tablets out of a bottle  
19 of 100 and never sell the balance. Mind you, that is  
20 getting away from the point, I am sure, but by and large  
21 we have a reasonably good relationship with other manufac-  
22 turers with regard to slow-selling and obsolete stock.

23 MR. WHITE: How do you select a generic drug  
24 from your shelf if you get an order from your customer?  
25 If he shows the generic drug name only, and no reference  
26 to the manufacturer's name, you must have a method of  
27 deciding which of a number of manufacturers' products to  
28 supply.

29 MR. LEGGE: Well, for one thing I would say  
30 we would normally supply our own brand if we happen to have





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MR. LEECH: Well, for one thing I would say

we would normally apply our own brand if we happen to have



1 it. If it happens to be one we produce ourselves.

2                   Apart from that, there are various considera-  
3 tions which would determine the choice. I do not feel  
4 entirely qualified to answer that question. It is usually  
5 left to our purchasing department to issue instructions,  
6 I believe, on what lines are to be filled, when it is open  
7 for us to make the decision, but I would say that we would  
8 certainly ship merchandise of the manufacturer in whom we  
9 had confidence.

10                   MR. WHITE: I should think that a large  
11 concern like yours would automatically supply the least  
12 expensive drug as a moral obligation to your customer and  
13 the consumer.

14                   MR. LEGGE: That is not exactly a question,  
15 but I presume you expect me to answer.

16                   MR. WHITE: I would like you to comment on  
17 it.

18                   MR. LEGGE: We don't necessarily feel that the  
19 least expensive drug is the best.

20                   MR. WHITE: Well then, have you got some  
21 drugs in your stock that are not up to the standards of  
22 purity or efficacy that you yourself would look for?

23                   MR. LEGGE: We carry some products in our  
24 stock because there is a demand for them, and we frankly  
25 have not the facilities to test all the drugs that we  
26 carry in stock.

27                   We would feel fully satisfied in many cases  
28 to fill with the product of almost any manufacturer, but  
29 there may be some cases where our knowledge of the manufac-  
30 turer's quality control and so on is not sufficient to have ---



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2. Apart from that, there are various conditions

3. which would determine the choice. I do not feel

4. entirely qualified to answer that question. It is usually

5. a question of fact.

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8. certainly ship material of the highest quality in when we

9. have confidence.

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25. We would feel fairly satisfied in many cases

26. to fill with the product of almost any manufacturer, and

27. there may be some cases where our knowledge of the manufacturer

28. is not sufficient to have





1 THE CHAIRMAN: You are a supplying agency,  
2 aren't you, Mr. Legge? You are not a laboratory or  
3 testing agency?

4 MR. LEGGE: That is correct.

5 THE CHAIRMAN: I think I should make that  
6 point.

7 MR. WHITE: I am well aware of that, but here  
8 is what I am wondering about: if the purchasing department  
9 was telling the shipping department which drug to supply  
10 in the event that the manufacturer's name was not shown,  
11 there would be a great temptation to the purchasing depart-  
12 ment to select that drug which has got the best discount  
13 so the druggist may have to pay the highest price rather  
14 than the lowest price. The druggist at any rate ordering  
15 by generic name may be expecting and hoping to get the  
16 lowest price product.

17 MR. BRYDEN: He has the same interest in  
18 getting the highest price and the largest discount, if  
19 you are thinking purely of his economic interest.

20 MR. WHITE: Not necessarily.

21 MR. BRYDEN: His economic interest would  
22 be to supply the most expensive drug.

23 MR. WHITE: I was told by a druggist in  
24 London that druggists provide the least expensive generic  
25 drug on their shelves as a matter of professional ethics,  
26 but questioning in this Committee reveals this is not a  
27 fact. I rather think some doctors are prescribing by  
28 generic name thinking they are getting the least expensive  
29 drug, and in point of fact, after the druggist and after  
30 the wholesaler exercise their discretion, he may be



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THE CHAIRMAN: I think I should make that

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MR. WHITTE: I am well aware of that, but here

is what I am wondering about: Is the dispensing department

was telling the shipping department what they to supply

in the event that the manufacturer's name was not known,

there would be a great temptation to the purchasing agent

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drug, and in point of fact, after the druggist and after

the wholesale expenses their discount, he may be



1 prescribing the most expensive drug for his patient.

2 I think the ethics of the thing should be  
3 carefully defined by the profession.

4 THE CHAIRMAN: In the broad sense of this  
5 proposition which has been set forth by Mr. White and Mr.  
6 Bryden, would you have any comment? We are talking about  
7 the orders received by you - the trade names take care of  
8 themselves - but an order for something under the generic  
9 name would lead then to a decision by you. I think that  
10 is the proposition, isn't it?

11 MR. LEGGE: Well, it is true, we would make  
12 a decision as to what we feel. I can add here, however,  
13 that it is not too frequently that we are asked for a  
14 generic name product without the manufacturer's name being  
15 specified.

16 However, it does happen from time to time.  
17 I think in many cases, as suggested, there is a case that  
18 the retailer specifies the generic name on the assumption  
19 - pardon me, the physician specifies the generic name on  
20 the assumption the retailer will supply one of a product  
21 he carries in which he has full confidence.

22 MR. WHITE: No, they expect the retailer  
23 to supply the lowest priced drug in which he has confidence.

24 MR. LEGGE: That may be in some cases, Mr.  
25 White, but I can assure you it is not true in all cases.

26 MR. GOULD: As a practising pharmacist,  
27 maybe I could add a little to this. Mr. White, I think  
28 we should recognize when we get a call for a product under  
29 the generic name we have a moral responsibility too, and  
30 we should get a product in which we have a reasonable





1 prescribing the most expensive drug for his patient.  
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3 carefully defined by the profession.

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5 proposition which has been set forth by Mr. White and Mr.

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7 the orders received by you - one three names into one of

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9 name would lead then to a decision by you. I think that

10 is the proposition, isn't it?

11 MR. LAMONT: Well, in a way, we would make

12 a decision as to what we feel. I can add here, however,

13 that it is not too frequently that we are asked for a

14 generic name product without the manufacturer's name being

15 However, it does happen from time to time.

16 I think in many cases, as suggested, there is a case that

17 the retailer specifies the generic name on the prescription

18 - pardon me, the physician specifies the generic name on

19 the prescription the retailer will supply one of a product

20 he carries in which he has full confidence.

21 MR. WILSON: May I ask you to explain the proposition

22 to apply the lowest priced drug in which he has confidence?

23 MR. LAMONT: That may be in some cases, Mr.

24 White, but I can assure you it is not true in all cases.

25 Maybe I could add a little to this. Mr. White, I think

26 we should recognize when we get a call for a product under

27 the generic name we have a moral responsibility too, and

28 we should not be afraid to have a responsible



1 amount of confidence, and as far as a doctor not knowing,  
2 he knows the next day.

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2 he knows the next day.

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W/hm

1 MR. BRYDEN: On what basis do you develop  
2 confidence? It is a matter of record from the beginning  
3 of history, and as far as I can see a lot of the existence  
4 of confidence or lack of it is based on the folklore  
5 and rumours and suspicions, I have run into them myself,  
6 a druggist collaring me and telling me that these generic  
7 named drugs, you have to be awfully careful of the cheap  
8 Italian imports and the house may not have a proper control  
9 facilities, and frankly I don't know whether it does or  
10 does not. Furthermore, I don't think the druggist knows  
11 whether it does or does not and I doubt whether he has  
12 been in most of the manufacturing establishments.

13 Furthermore he is probably not qualified to  
14 judge their control facilities in any case. This is  
15 one of the very perplexing problems in this field, that  
16 so much is done on the basis of innuendo and insinuation.

17 THE CHAIRMAN: Now, I don't agree with that  
18 at all.

19 MR. BRYDEN: It is persistently suggested  
20 we can't rely on such and such a company and I would like  
21 to have the witness tell me the basis on which he doesn't  
22 rely on it. Has he any personal knowledge or any  
23 knowledge or information given to him by experts of a  
24 certain plant?

25 THE CHAIRMAN: Could we take that point you  
26 raised and let us consider it for the moment? If we were  
27 dealing with rubber toys --

28 MR. BRYDEN: We are not, so leave that aside.

29 THE CHAIRMAN: All right, leave that aside.  
30 Suppose you found, with your outlook and philosophy of life



MR. STYLLER: On what basis do you develop

continued? It is a matter of record from the beginning

of history, and as far as I can see a lot of the experience

of confidence or lack of it is based on the following

and reasons and principles. I have not been even myself.

a company assisting me and telling me the same things

known things, but have to be actually advised of the same

It is important to see the house may not have a proper control

facilities, and finally I don't know whether it does or

does not. Furthermore, I don't think the financial house

whether it does or does not and I believe whether it is

seen in most of the same way as a financial institution

Furthermore, it is probably not a financial institution

large their control facilities in any case. This is

one of the very important problems in this field, that

as much as come on the basis of management and organization

THE CHAIRMAN: Now, I don't agree with that

at all.

MR. WILSON: It is particularly important

we can't rely on such and such a company and I would like

to have the witness tell me the basis on which he doesn't

rely on it. Has he any personal knowledge or not?

Knowledge of information given to him by others of a

company's policy?

THE CHAIRMAN: Would we have that point for

raised and let us consider it for the moment? All we were

dealing with before.

MR. WILSON: We are not, as I have just said

THE CHAIRMAN: All right, I understand.

Suppose you found, with your client and government in mind



1 you would be the very first one to climb up the druggist's  
2 back if he supplied a drug under a generic name which  
3 failed to meet the requirements.

4 MR. BRYDEN: That is not true sir.

5 THE CHAIRMAN: And you would persecute him  
6 and put him to the wall.

7 MR. BRYDEN: I would not persecute anybody,  
8 and I never have and I suggest that you don't use your  
9 position as Chairman to violate normal rules. I have  
10 never persecuted anybody in my life, and I would also con-  
11 sider it regrettable if a druggist whether through in-  
12 advertence or deliberately supplied a higher-priced drug  
13 than was necessary.

14 THE CHAIRMAN: Within the limits of his  
15 knowledge that he has from his professional experience,  
16 and the knowledge of the drugs he is selling over his  
17 counter, surely he has a right to exercise as a professional  
18 man his discretion at a certain level, that level depending  
19 on what his experience might be. In some cases it might  
20 be higher and some cases it might be lower, and he might  
21 accept or reject the product of some company or other.  
22 That is all I am saying.

23 MR. BRYDEN: I am not questioning his right.

24 THE CHAIRMAN: But he has a duty to the  
25 public. You are not suggesting he doesn't have that duty  
26 to the public or that he is just to supply the cheapest  
27 he can get.

28 MR. BRYDEN: I am not suggesting he doesn't  
29 have a duty to the public or he doesn't have rights in the  
30 matter. All I am suggesting is that from listening for a







1 long time to what the evidence presented here has been and  
2 to the evidence and representations made in other places,  
3 it would seem to me that most of these decisions as to  
4 quality are made on totally inadequate information. A  
5 well-proven product, ---

6 MR. PRICE: I don't feel that is a fair  
7 statement to make.

8 THE CHAIRMAN: I don't think it is either.

9 MR. BRYDEN: Let us ask this witness then.

10 THE CHAIRMAN: I don't think you should come  
11 to any conclusions before this hearing is finished either.

12 MR. BRYDEN: I will come to conclusions and  
13 revise them as I see fit, or leave them if I see fit.

14 THE CHAIRMAN: You may do that. You may  
15 conduct yourself as you see fit, but to keep an open mind  
16 I think we have to listen to all the evidence in this  
17 matter.

18 MR. BRYDEN: There is a difference between  
19 an open mind and a blank mind, and naturally a person with  
20 something in his mind comes to tentative conclusions from  
21 time to time. I am putting this frankly, It is clear  
22 enough to me that certainly there are indications to me  
23 and I would like to know in the case of this company on  
24 what they base their assessment as to the reliability of  
25 various suppliers, if they inspect the plants for example,  
26 what information do they have? Maybe there is no informa-  
27 tion available, but I would like to hear what they have  
28 to say on it.

29 MR. LEGGE: Well in partial answer to that  
30 at least I might say there are a number of plants of our







1 suppliers that we have never visited. I believe myself  
2 that any seller or organization in business has to earn  
3 his reputation and it is not always easy, but when you  
4 have earned a reputation and someone else has not, it is  
5 quite logical that the person that has earned the reputation  
6 and has gained the confidence will get the business.

7 I am not suggesting that the other company  
8 may not be producing as good a product too, but I would  
9 like to read you, if I may, a few paragraphs from a  
10 publication bearing on this particular point. Is that  
11 permissible?

12 THE CHAIRMAN: Yes, what is the publication?

13 MR. LEGGE: This publication is the N.R.A.D.  
14 Journal of October 16, 1961 dealing with therapeutic effects  
15 of drug may vary by brands. I will read the first two  
16 paragraphs and I think it will give you the point of view  
17 that we hold to as well.

18 "Different generically identical drugs can  
19 produce various physiological responses in  
20 some cases, according to an article in the  
21 Journal of the American Medical Association.  
22 'There is a mistaken belief among many that  
23 the active constituent of a drug product as  
24 a chemical entity is the sole basis for the  
25 pharmacological effectiveness of a pharmaceu-  
26 tical product', wrote the authors, Gerhard  
27 Levy, Pharm. D. Buffalo, N.Y., and Eino  
28 Nelson, Ph.D., San Francisco.

29 The writers cited numerous studies indicating  
30 that the choice of dosage form and of manu-



1 suppliers that we have never visited. I believe myself  
2 that any self or organization in business has to earn  
3 the reputation and it is not always easy. But when you  
4 have earned a reputation and someone else has not, it is  
5 quite logical that the person that has earned the reputation  
6 and has gained the confidence will get the business.  
7 I am not suggesting that the other company  
8 may not be producing as good a product but I would  
9 like to see you, if I may, a few samples from a  
10 production being on this particular point. I think  
11  
12 THE CHAIRMAN: Yes, when do you expect to  
13 Mr. BROWN: It is production in the U.S.A.  
14 Journal of October 19, 1964 dealing with the reports of  
15 of drug may vary by brand. I will send the first two  
16 paragraphs and I think it will show you the point of view  
17 that we hold to as well.  
18  
19 Different countries have different laws  
20 produce various types of optical responses in  
21 some cases, according to an article in the  
22 Journal of the American Medical Association.  
23 There is a statement in that article that  
24 the active component of a drug product is  
25 a chemical entity in the sole basis for the  
26 standard of quality effectiveness of a preparation  
27 that product. I am the author, Chairman  
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1                   facturer's brand can be 'just as important  
2                   as the choice of the actual therapeutic  
3                   agent'.

4                   The physiological response to a given drug  
5                   product is frequently a function of both the  
6                   pharmaceutical formulation of the particular  
7                   dosage form as well as of the active in-  
8                   gredient, they said.

9                   Absorption Affects Efficacy

10  
11                   'In general, differences in therapeutic  
12                   efficacy among different generically identical  
13                   drug products ... are most frequently due to  
14                   differences in the rate at which the active  
15                   ingredient or ingredients become available  
16                   for absorption,' they said. 'This may modify  
17                   the onset, intensity and duration of the  
18                   desired physiological response. Furthermore  
19                   the efficiency and the biological avail-  
20                   ability (e.g., the completeness of absorption),  
21                   as well as the incidence and intensity of  
22                   side effects and toxic reactions from the  
23                   drug, may be affected.'"

24                   I can go on and read the rest of that article, but if you  
25                   would like to put it on the record, I would be glad to  
26                   make it available to the secretary.

27                   MR. BRYDEN: Just a question. I realize the  
28                   article says this is a very complicated matter and you  
29                   cannot tell what is in a pill simply by looking at it.  
30                   I understand all that. But you, in your position as a





Teacher's hand can be 'just as important

as the choice of the actual therapeutic

The physiological response to a given drug

product is frequently a function of both the

pharmacological formulation of the medicinal

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Absorption affects efficacy

In general, differences in therapeutic

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drug, may be affected.

I can go on and read the rest of that article, but I will

would like to put it on the record, I would be glad to

make it available to the committee.

MR. FRYMAN: Just a question, I reading the

article says this is a very complicated matter and you

cannot tell what is in a pill simply by looking at it.

I understand



1 drug wholesaler naturally have a responsibility.

2                   The question was, if a drug is ordered from  
3 you by generic name only with no reference to manufacturer,  
4 how do you make your decision? You quite properly stated,  
5 as I understand it, that you want to be satisfied that  
6 any product you supply is a quality product. All I am  
7 getting at is, how do you arrive at these decisions as to  
8 the reliability or otherwise of various products that you  
9 may have in your stock, or that you may consider putting  
10 in stock?

11                   MR. LEGGE: Knowledge of the manufacturer,  
12 such as it may be, is one important criterion. If we know  
13 that the employer through his years in business and through  
14 his reputation has been producing products that have been  
15 thoroughly clinically tested in their dosage form and the  
16 method in which the active ingredient is produced, and have  
17 been proven trustworthy, then we are more likely to select  
18 the product of that manufacturer than a product of a  
19 manufacturer who has not such a background.

20                   MR. BRYDEN: Could you tell me how a man  
21 could get started in this field then? He can't have any  
22 experience at all in the past. He is an unknown, his  
23 product is unknown and if nobody is prepared to rely on  
24 it or to take steps to find out if it is reliable, how does  
25 he get started?

26                   THE CHAIRMAN: He would probably get started  
27 in the same way as an embryo politician.

28                   MR. BRYDEN: That is a facetious remark.

29                   THE CHAIRMAN: It is not a facetious remark  
30 at all. I will give you an example. I drive an automobile



1 drug wholesaler naturally have a responsibility.

2 The question was, if a drug is ordered from

3 you by generic name only with no reference to manufacturer or

4 how do you make your decision? You judge properly or not.

5 as I understand it, what you want to be satisfied that

6 any product you supply is a quality product. All I am

7 getting at is, how do you arrive at these decisions as to

8 the reliability or otherwise of various products as to you

9 may have in your stock, or that you may consider buying

10 in stock?

11 MR. STEPHENS: Knowledge of the manufacturer.

12 even as it may be, is an important criterion. If we know

13 what the employer through his agent is ordering and why,

14 his reputation has been producing products that have been

15 thoroughly clinically tested in their normal form and the

16 method in which the active ingredient is absorbed, and have

17 been proven therapeutically, then we are more likely to select

18 the product of one manufacturer as than a product of a

19 manufacturer who has not such a background.

20 MR. STEPHENS: Would you tell me how a man

21 could get started in this field where he really has no

22 experience at all in the field, as far as I know, his

23 product is unknown and it would be impossible to rely on

24 it or to take notice of him out of the field, how does

25 he get started?

26 THE CHAIRMAN: It would probably be an

27 in the same way as an artistic publisher.

28 MR. STEPHENS: That is a fair question.

29 THE CHAIRMAN: It is not a fair question, I think.

30 at all. I will give you an example. I will give an example





1 but I don't have any facilities for testing gasoline and  
2 I come to my conclusion as to what grade and brand of  
3 gasoline and oil I am going to use through experience, and  
4 when I find one that I rely on, I stay with it.

5 MR. BRYDEN: But you are not prescribing  
6 medicines for human beings.

7 THE CHAIRMAN: All the more reason for them  
8 staying with the one where the experience is sound.

9 MR. BRYDEN: Then you suggest that a man  
10 would never be able to get started.

11 THE CHAIRMAN: I am not suggesting that at  
12 all. I didn't say that, Mr. Bryden and I want to make it  
13 clear to you.

14 MR. BRYDEN: That is a conclusion that would  
15 be drawn from what you said.

16 THE CHAIRMAN: You may draw it, but I am  
17 sure nobody else would.

18 MR. WHITE: This theorizing is very nice,  
19 but in point of fact if the shipper takes directions from  
20 the purchasing department, is it true when you are given  
21 a choice to supply brand A or brand B, you supply the  
22 one that you have in greater abundance in your stock or  
23 where you are enjoying a somewhat better margin of profit.  
24 That is the way it works, isn't it?

25 MR. LEGGE: I would say other things being  
26 equal, yes, but not if other things are not equal.

27 MR. WHITE: If you think the product is  
28 wrong, you don't supply that product. If two products  
29 have similar quality, then you will supply the one that  
30 you have in greater abundance on which there is a better





1 margin of profit.

2 MR. LEGGE: I think that is a reasonable  
3 conclusion to draw.

4 MR. GOULD: I think, Mr. White has something  
5 that he is worried about here that we might control the  
6 distribution on these products either by generic or by  
7 trade name. Actually we have no control whatsoever.

8 Mr. White, it could work out that way,  
9 maybe, from some of the evidence that has been given this  
10 afternoon, but what happens is this: In the majority of  
11 cases you order something by a generic name from us. Now,  
12 I am not trying to explain to you that I know more about  
13 this than Mr. Legge. I don't, but being at both ends of  
14 the business, I have a pretty fair idea of how it operates.  
15 We order it by its generic name. The custom has been  
16 when these trade names come out, they are quite often  
17 ordered by generic name and we have only one. Then another  
18 one comes on the market with a trade name and custom has  
19 been that we send the original to the average druggist  
20 and, Mr. Bryden, believe me, this happens every day. The  
21 pharmacist who wants the lower price, he orders by the  
22 generic name and orders it generically, then we send the  
23 lowest priced item we have in our stock.

24 MR. WHITE: I want to be very clear on this  
25 point. What do you mean, he orders it by generic name  
26 and he orders generically?

27 MR. GOULD: He writes it up. You mentioned  
28 one, Meprobamate. He puts "generic" and we know he wants  
29 the lowest we have in stock. If he doesn't get that today,  
30 he will send it back, and he won't keep it if he doesn't







1 want it. We know at the retail level what we want, and  
2 we have to be guided by the physician. Whatever he wants,  
3 we have for him.

4 MR. WHITE: Are you telling us that if a  
5 doctor prescribes by a generic name and puts the word  
6 "generic" on it, that the pharmacist is obliged to dis-  
7 pense the lowest priced article?

8 MR. GOULD: Not necessarily. He will pres-  
9 cribe the low price, shall we say that? He will prescribe  
10 lower than trade name.

11 MR. WHITE: He may or he may not?

12 MR. GOULD: I think you will find in the  
13 majority of cases, he will.

14 MR. WHITE: Are you saying also that Drug  
15 Trading, if an order called for a generic drug, that they  
16 would supply the lowest priced drugs?

17 MR. GOULD: If he writes "generic" on his  
18 order, yes.

19 MR. WHITE: But he has to show the word  
20 "generic"?

21 MR. GOULD: Yes, and I will tell you why,  
22 Mr. White. The cases are about 50-50. If he orders  
23 phenobarbital, they are usually ordered generically anyway,  
24 but there is the odd one who wants a certain manufacturer  
25 because he has more confidence in Frosst, or he has more  
26 confidence in Ayerst, or he has more confidence in Parke  
27 Davis, and so on, but we find it he orders "Meproamate",  
28 he possibly wants Wyeth, but he doesn't put it down and  
29 we send him a low priced one. Then he sends it back the  
30 next day and orders it from us, and one way or the other,







1 Mr. White, eventually he gets exactly what he wants and  
2 we exercise no authority over him whatsoever and do not  
3 attempt to.

4 MR. WHITE: All right.

5 THE CHAIRMAN: Mr. Legge, having in mind  
6 the hour, I don't want to interrupt this interesting  
7 examination, but I do have to observe the hour and  
8 convenience of all concerned.

9 We are rapidly coming to a close of these  
10 hearings and tomorrow Dr. Dymond, the Minister of Health,  
11 is going to appear and give us some information with  
12 respect to his department's purchasing experience, and the  
13 only time that we can arrange to have Dr. Dymond here with  
14 his other commitments is at 9:30 in the morning. It would  
15 follow that we should then meet at 9:30 in the morning,  
16 if the Committee agrees with that, so that we might hear  
17 from Dr. Dymond.

18 Then we will continue and will conclude the  
19 evidence of your company, Mr. Legge, and we will run into  
20 some further complications tomorrow. As I said on Monday,  
21 my problems are not your problems and nothing that affects  
22 me should interrupt the proceedings of the Committee.

23 But I do have one question which I would  
24 like to put to Mr. Gould, if I might, having in mind the  
25 fact that I may not be here after ten o'clock in the  
26 morning.

27 The question is very short, dealing with a  
28 subject entirely different from that which we have been  
29 considering.

30 Mr. Gould, we are concerned with some of the





1 substance of your brief that is directed to the operation  
2 of retail druggists. You have pointed out some of the  
3 factors which led to expense items.

4 As against the operation of what we have  
5 come to know as the local or neighbourhood retail drug  
6 store involving a delivery service and that sort of thing,  
7 we have had evidence before us about discount houses with  
8 a drug department and other type of operations which may  
9 or may not involve the supplying or may or may not be  
10 accompanied by these same services.

11 The result would appear to be a substantial  
12 or a major difference in the price which is charged to  
13 the actual consumer or John Q. Public, and I wondered, Mr.  
14 Gould, if you would have any observations based on your  
15 experience in this business and any observations of the  
16 retail drug industry, as to the ultimate result of the  
17 impact of the so-called discount house on the neighbourhood  
18 drug stores. Would you care to speak to that briefly?

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impact of the so-called discount house on the neighborhood  
drug store. Would you care to speak to that briefly?



MR. GOULD: Well, it is pretty hard at this early date to just assess what the effect might be on the average pharmacist operating a pharmacy, shall we say, with the assistance of another pharmacist and possibly a couple of ladies to help him in the front store. That is what we call an average pharmacy today and it is hard to say what the ultimate effect will be. The effect up to now, to the best of my knowledge, has not been very severe. I think one of the reasons for that is that this is a service that we are rendering in the minds of the public who have the last say in everything. In their minds these are necessary services and, therefore, they look to us to supply these services and supply their pharmaceutical needs.

Now, mind, there is not a great deal of difference in our operation but I think most of them are not open until 10 o'clock in the morning and, like the surgeon who operated on me in the St. Joseph's Hospital one time who was complaining about some of the younger men not wanting to give the services that the older men had been giving, he said that you could not expect people to get sick during office hours. I do not think you can expect people to get sick between 9 in the morning and 9 in the evening. On the other hand, we are on call and you will not find too much trouble getting a pharmacist if you want one. We have found by experiment in order to satisfy the demands of the public and keep up business you find it necessary to accommodate them with the reasonable amount of delivery when they need it. We do pick up and deliver a surprising number of prescriptions, we







1 pick them up and deliver them and that is a service they  
2 demand. This is something we did not put in, they demanded  
3 it and they like it. We are often kept working an hour or  
4 an hour-and-a-half overtime at night which no one objects  
5 to. These are services that the public have got to know  
6 and they like it and they appreciate it. Now, by cutting  
7 out these services, some of these organizations feel they  
8 can effect certain savings and no doubt they can.

9 THE CHAIRMAN: What would be the effect on  
10 drug prices and we are talking about the consumer now,  
11 the man who has just been to the doctor and has received  
12 a prescription, the actual family end of the deal, what  
13 is the effect of the prices to him of the discount stores  
14 as against the neighbourhood drugstore?

15 MR. GOULD: It would be a hard question to  
16 answer, Mr. Chairman. I believe they are attempting to  
17 operate, and I use that word "attempting" advisedly, they  
18 are attempting to operate on a 5 to 7% or 8% lower mark-up  
19 than we have on the overall picture.

20 THE CHAIRMAN: Can you see these discount  
21 houses as a permanent operation which would displace the  
22 retail drugstore as we know it today?

23 MR. GOULD: I doubt very much if they are  
24 all displaced. We have to be realistic and possibly  
25 expect that some of us will be displaced because as time  
26 goes on we must find ways and means of meeting all types  
27 of competition and if that happens those better equipped  
28 to meet it and meet it the earliest, prices go down a  
29 little; location enters into it, a fellow with a poor  
30 location begins to lose out sooner than a fellow with a

pick them up and deliver them and that is a service they demand. This is something we did not put in, they demanded it and they like it. We are often kept working an hour or an hour-and-a-half overtime at night which no one objects to. These are services that the public have got to know and they like it and they appreciate it. Now, by sitting out these services, some of these organizations feel they get a sort of service and no doubt they can.

THE CHAIRMAN: What would be the effect on

the business and we are talking about the summer now, the man who has been to the doctor and has received a prescription, the result of the family end of the deal, what is the effect of the price to him of the distant phone line against the neighborhood distance?

MR. GOULD: It would be a hard question to

answer, Mr. Chairman, I believe they are attempting to do so, and I see that word "attempting" is being used, they are attempting to answer on a 5 to 10 or 15 lower market than we have on the overall picture.

THE CHAIRMAN: Can you see these discounts

as a permanent operation which would displace the overall structure as we know it today?

MR. GOULD: I doubt very much if they are

at all displaced, we have to be realistic and generally expect that some of us will be displaced because at this goes on we must find ways and means of meeting all types of competition and it is true that these better equipped to meet it and meet it the earliest, prices go down a little, location enters into it, a fellow with a room location begins to lose out sooner than a fellow with a



1 good location. We have to meet this possibility and we  
2 are doing that, the trade as a whole and it means that  
3 you have to have a greater volume and a smaller store  
4 always suffers in the battle.

5 THE CHAIRMAN: We have been through this in  
6 the grocery trade but is it too much to ask of you to  
7 express an opinion as to what you think will happen in  
8 a period of, say, five or ten years in the relationship  
9 between the so-called discount house and the neighbourhood  
10 drugstore?

11 MR. GOULD: That is a pretty broad question.

12 THE CHAIRMAN: I only ask it of someone who  
13 has been in the business a long time.

14 MR. GOULD: I will answer it this way - you  
15 want my opinion?

16 THE CHAIRMAN: Yes.

17 MR. GOULD: As a person who has been at it  
18 a long time and met a lot of pharmacists in the course of  
19 a six-month period, my assessment of the situation is the  
20 larger of us will grow larger and exist and the smaller of  
21 us will grow smaller and eventually disappear.

22 THE CHAIRMAN: That is a rather interesting  
23 observation. Now, can you go one step further and would  
24 you care to comment on price levels as between the two  
25 types of operation? Do you think the discount stores will  
26 always maintain this differential that they advertise?

27 MR. GOULD: With the manner in which this  
28 competition is developing, I doubt it, but in the not too  
29 distant future, possibly they will have to go up a little  
30 because the competition is getting very keen, much keener







1 here I think than almost any other place because we  
2 happen to be the metropolitan area and something else  
3 enters into the picture here in that there is nowhere in  
4 the world that I know of where the retail industry of a  
5 nation is dominated as much by one organization as it is  
6 in the Dominion of Canada. He is a very, very stiff compe-  
7 titor and an efficient operator and he has entered into  
8 this field and this competition is going to be very keen.  
9 I think possibly it will level off somewhere; maybe a  
10 little higher than where it is today and a little lower  
11 than where it has been.

12 THE CHAIRMAN: That is very interesting,  
13 thank you very much. I am sorry to have called on you,  
14 Mr. Gould, because you did not know we were going to ask  
15 these questions. On the basis which I set out a few  
16 minutes earlier, we will proceed with the conclusion of  
17 Mr. Legge's examination tomorrow morning after we have  
18 heard from Dr. Dymond. We will adjourn now.

19  
20 --- Whereupon the hearing adjourned until 9.30 a.m.,

21 Thursday, November 16th, 1961.  
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